

# FINANCIAL TIMES

World Business Newspaper <http://www.ft.com>

TUESDAY DECEMBER 29 1998



**The meaning of quality**  
Consistency is  
no longer enough  
Tony Jackson, Page 17



**US economy**  
Set to keep  
rollin' along  
Alan Blinder, Page 10



**Global currency**  
Still resisting  
merger mania  
Page 11



**Sewage disposal**  
At last UK stops  
North Sea dumping  
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## WORLD NEWS

### Tribesmen hold 16 western tourists in Yemen kidnapping

South Yemeni tribesmen kidnapped 16 Western tourists yesterday. The 12 Britons, two Americans and two Australians were seized only three weeks after the abduction of four Germans in another area of the Arabian peninsula nation. More than 100 foreigners, including diplomats and oil workers, have been abducted since 1992, but most have been released unharmed. *International news, Page 4*

**Begin to challenge Netanyahu**  
Ze'ev Benyamin Begin, son of Likud founder Menachem Begin, is leaving the party to lead a right-wing challenge to Likud prime minister Benjamin Netanyahu in Israel's elections in 1999. *International news, Page 4*

**Algerian villagers' threats cut**  
Muslim rebels cut the throats of 19 villagers in Ain Defia province, in the worst massacre in Algeria since the start of the Muslim holy month of Ramadan, government security forces said.

**Fragile truce in Kosovo**  
Serbian security forces yesterday kept away from ethnic Albanian rebels after four days of clashes in Kosovo province, but diplomats were unsure whether a local truce would hold for long. *European news, Page 2*

**Shuttle prevented from leaving**  
Palestinian opposition leader and former premier Yasser Arafat was barred from leaving the country. She was trying to fly to see her children in Dubai but was prevented because of corruption cases pending against her. *International news, Page 3*

**Yacht race claims at least 6 lives**  
At least six deaths in the Sydney to Hobart yacht race prompted questions about why organisers did not delay the start in response to forecasts of bad weather. Nearly 80 people were winched from heavy seas in Australia's biggest maritime rescue. *International news, Page 3*

**Indonesian projects cancelled**  
Indonesia said state oil company Pertamina had cancelled contracts on 152 projects, mostly linked to the family and associates of ex-president Suharto, because of alleged corruption in the way they were awarded.

**Hin Sen shifts ground on trial**  
Cambodian prime minister Hun Sen said a trial of two former Rouge leaders who defected last week might not be in the country's best interests. Hun Sen had previously said they should face an international tribunal.

**Smuggling suspects arrested**  
Chinese border guards arrested two men suspected of buying North Korean women with smuggled cigarettes and selling them in China for cash, the China News Service said.

**Hungary's tough revenue enforcers**  
Hungary's parliament passed a law creating tax inspectors with formidable powers. Members of the special tax force will have cattle prods, mace, handcuffs and the right to use covert surveillance. An estimated 30 per cent of Hungary's gross domestic product comes from the black economy.

**10 years after**  
John Lloyd revisits the Gdansk shipyard where Poland's liberation from Communism began.  
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## BUSINESS NEWS

### Murdoch moves to expand European television interests

Rupert Murdoch, fresh from his preliminary agreement to buy a controlling stake in a new Italian pay-TV network, is close to acquiring a stake in another European television partnership involving Germany's Kirch group and Italy's Mediaset. *Page 16*

**Wall Street firms are still paying**  
the price for the worst financial market disruption in 50 years, despite a rebound in November. The fourth quarter is expected to be only marginally profitable for many investment banks. *Page 18*

**Talks between National Power**, the UK energy producer, and Poland's treasury on the purchase of a stake in one of the country's largest power generators, have ended. *Page 13*

**Fuji Bank**, one of Japan's largest commercial banks, is to raise ¥217bn (\$1.67bn) by issuing new shares in January. Its business partners in the Fuyo keiretsu, or corporate family, will provide 60 per cent of the capital. *Page 13*

**Shares in Cephalon**, the US biotechnology company, rose sharply after the US Food & Drug Administration approved its treatment for narcolepsy, the first non-amphetamine drug to be approved for the disease in 40 years. *Page 13*

**The French government** has confirmed giving Thomson-CSF, the defence electronics group, clearance to discuss a link with the defence unit of the UK's General Electric Company, but said it expected any agreement to be "balanced". *Page 14*

**A venture capital fund** controlled by LVMH, the French luxury goods group, has made its first transaction by acquiring Lafischère, which holds a majority stake in France's leading toothbrush maker. *Page 14*

**Japan's construction sector** suffered another blow when Tokyo and Fujita Construction warned that losses would be more than double those forecast earlier. *Page 14*

**China is to rely more on its** emerging domestic bond markets next year, as the government continues its fast-growing debt issuance programme. *Page 15*

**South Korea** said its industrial output climbed 1.4 per cent in November, the biggest year-on-year rise for any month in 1998. *Page 5*

**Philips Electronics** is selling part of its stake in US-based Navigation Technologies Inc, a leader in car guidance technology, to a financial consortium. *Page 14*

**Sales at Qingdao Haier**, China's leading refrigerator manufacturer, rose 50 per cent this year to RMB18.2bn (\$1.96bn). *Page 14*

**Thai exports are still falling** in dollar terms, despite the halt losing about a third of its value over the past 18 months. *Page 3*

### World Equity Markets

The latest trends and data from more than 50 national markets at a glance  
Page 27

## US strikes back at Iraqi missile base

Clinton says raid is retaliation for attacks on Western aircraft patrolling no-fly zone in northern part of country

By Mark Steyn in Washington and Randa Khalaf in Baghdad

US aircraft yesterday attacked a military base in northern Iraq from which missiles had been launched against them.

It was the first serious military confrontation between the two sides since US and British forces stopped their air raids nine days ago, according to the Pentagon.

The incident came a day after Iraq threatened to fire on Western aircraft in the two no-fly zones enforced by the US and its allies over Iraqi airspace. Yesterday evening Iraq said it believed it had probably shot down a western aircraft.

President Bill Clinton said the strike, launched from the joint US/Turkish air base at Incirlik, in southern Turkey, was necessary after Iraq had violated the northern no-fly zone by firing surface-to-air missiles at a routine air patrol.

"Our pilots have the authority to protect themselves if they're threatened or attacked," he said. "They took appropriate action in responding to Iraq's action."

The aircraft fired a combination of anti-missile and precision-guided bombs.

However, the Iraqi government

challenged the US version of events, saying the attack had been unprovoked. It said the US strike had killed four soldiers and injured at least seven others.

An Iraqi military official said western aircraft had "violated" Iraqi airspace twice yesterday. He said the aircraft approached Iraq's air defence positions in the morning and were shot at.

Later, the aircraft returned and attacked an Iraqi air defence position in the north, prompting Iraq to return fire. "Our air defences confronted the planes and forced them to retreat," claimed the Iraqi official.

Baghdad has maintained that US aggression has continued since the four-day bombing campaign ended on December 21. The bombing was aimed at wrecking Iraq's weapons production programme in retaliation for the alleged failure to co-operate with UN arms inspectors.

Baghdad has also attempted to turn the no-fly zones into a new issue. The zones were set up after the 1991 Gulf war to protect Iraq's Kurds in the north of the country and the Shias in the south. US and British aircraft patrol the zones.

On Sunday, Taha Yassin Ramadan, Iraqi vice-president, issued a

warning that Baghdad did not recognise the no-fly zones and would fire at penetrating aircraft.

Iraq has often tried to challenge the no-fly zones and to highlight that they were not set up by a UN resolution, but by an agreement among the then Gulf war allies that it claims violates the country's sovereignty.

But in the past defence has meant looking a ruler onto western aircraft rather than firing missiles at them.

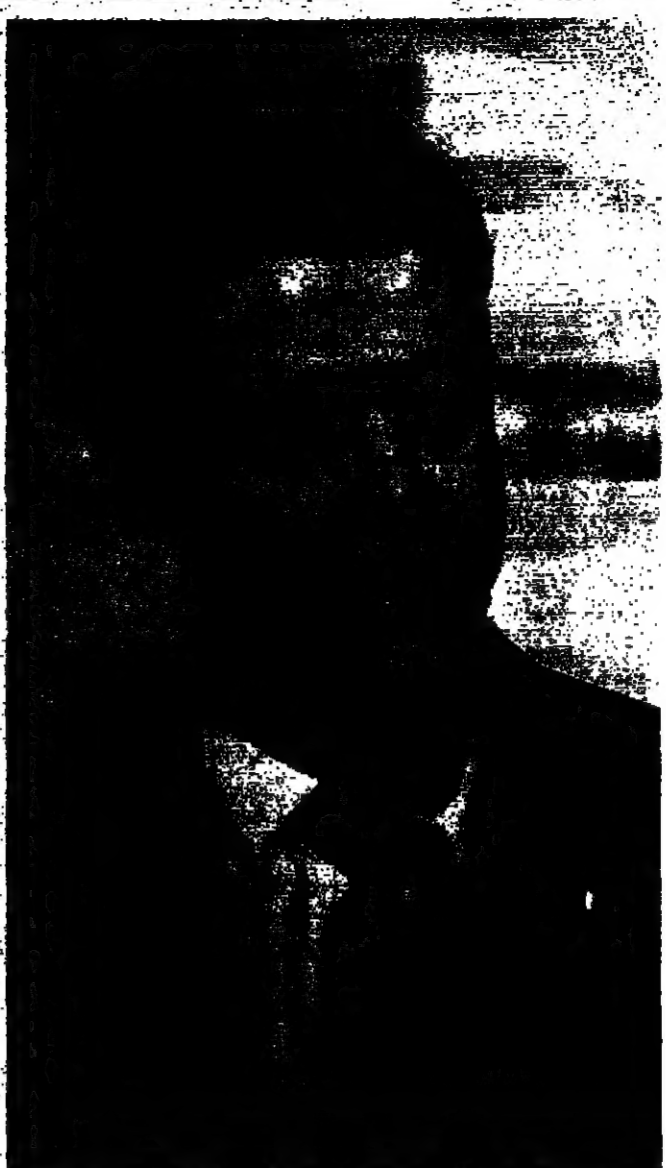
Diplomats in Baghdad said yesterday that Iraq considers that the no-fly zones should no longer exist because the US claims to have eliminated its weapons of mass destruction.

"Above all, the Iraqis are trying to keep their issues and their problems alive," one western diplomat said yesterday.

The British government said no British aircraft had been involved in the incident.

Mr Clinton said maintenance of the zones would continue to be a key element of US policy to contain Saddam Hussein.

"Because we effectively control the skies over much of Iraq, Saddam has been unable to use air power to repress his own people or to lash out at his neighbours," he said.



Standing firm: President Clinton said at a White House briefing yesterday that the air strike on a base in northern Iraq was necessary

## Europe's banks prepare for launch of euro

By Peter Newman in Brussels, Christopher Brown-Humes in London and Tony Barber in Frankfurt

Across Europe the talk is of war rooms, secure telephones and emergency rationing, but while the preparations may feel military, the purpose is peaceful: to launch the euro, the new single currency, on January 1.

Tens of thousands of bank staff across Europe will be curtailing traditional New Year celebrations this weekend, as they prepare for the first day of trading in the new currency on Monday, and the expected shock waves from the unprecedented simultaneous conversion of 11 currencies. All the world's main financial centres will be affected.

Big banks have established

"war rooms" to manage the changeover and European Union central bank governors will have to be within an hour of a secure telephone over the weekend to deal with any emergency.

"It sounds somewhat dramatic. It isn't meant to be. I think we are adequately prepared but we also have to be prepared for the eventuality that something, somewhere can go wrong," said Wim Duisenberg, president of the European Central Bank, which will have full responsibility for monetary policy in the euro-zone.

The publication of a full set of official conversion rates on New Year's Eve will mark the start of a frantic 100-hour race to convert cash balances, redenominate bonds and derivative portfolios and make the final

changes to computer systems. Although Britain will not be a founder member of the European single currency, much activity will centre on the City of London, the largest currency trading centre in Europe. Some 30,000 information technology specialists and back-office staff are expected to be working in the financial district over the New Year weekend. Special transport, catering and accommodation is being laid on for employees at what is normally a quiet time of year.

Paul Cantwell, partner with Andersen Consulting, said: "Getting ready for the euro has been the biggest single operation ever undertaken by London's financial sector, dwarfing even Big Bang [financial sector deregulation] in the 1980s."

He says even small mistakes in the way programmes and processes are adapted for the euro could generate big losses given the sums of money involved. "Given the size and complexity of all this, it is the corporate equivalent of doing a full engine overhaul during a 10-second Grand Prix pitstop."

Preparations for the weekend have been under way for months at the ECB and at national central banks.

For the ECB, the main concern is to ensure that all the outstanding public debt of the 11 euro-zone countries is successfully redenominated over the weekend because this will serve as the collateral for the monetary operations that will have to be executed by the

central bank from January 4. The ECB has set up a working group of specialists known as the "changeover committee" which has included three people from each central bank. Changeover working groups will be on the spot in the national central banks of all 11 euro-zone countries over the weekend.

The ECB is prepared in case decisions need to be taken at the level of its executive board - and secure telephones will be used if a decision is required from the ECB's governing council.

In Frankfurt, where the ECB has its headquarters, the Deutsche Börse, the German stock exchange, is one of hundreds of financial institutions that have asked staff to work or be on call over the coming weekend.

## Banks freeze LG Semicon's credit

By John Larkin in Seoul

Government-controlled Korean banks yesterday froze fresh lending to LG Semicon as punishment for the semiconductor maker's defiance of a government demand that it merge with Hyundai Electronics Industries.

The banks are also considering calling in existing loans, but some analysts said the chipmaker had enough cash reserves to survive the credit squeeze.

It is the first time the government has used its control over the partly nationalised banking system to punish a conglomerate dodging its efforts to trim overcapacity in key industries.

A merger between LG Semicon and Hyundai Electronics Industries would create the world's second biggest chip producer, regarded by the Korean government as crucial to kick-starting consolidation in other sectors.

But LG Semicon has rejected the terms of the proposed merger, which would give its rival a 70 per cent controlling stake in the combined company.

President Kim Dae-jung yesterday urged LG Semicon, a unit of South Korea's fourth largest conglomerate LG Group, to endorse the project. "LG Semicon's refusal to

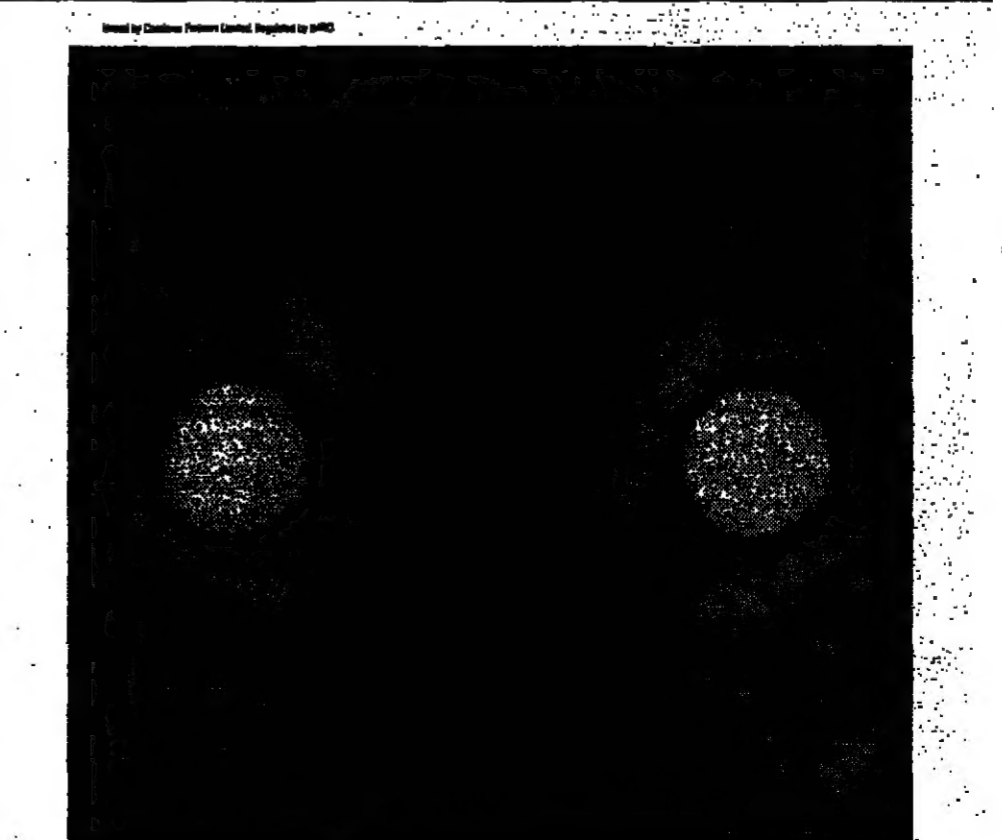
D. Little, published last week, that found Hyundai deserved to lead the company with a 70 per cent stake. LG has threatened to sue ADL for damages. "That LG Semicon has to be penalised with financial sanctions is something that cannot be understood," the company said.

The credit freeze makes good on threats made by the powerful watchdog Financial Supervisory Commission to squeeze financing to conglomerates that try to sidestep corporate restructuring.

The top-five conglomerates signed reform agreements this month. The second big restructuring plan - a business swap between Daewoo Electronics and Samsung Motors - has also hit a snag, with Samsung's insistence that Daewoo continue producing its SMS sedan.

Analysts said LG Semicon had amassed up to Won2,000bn (\$1.65bn) in cash reserves to absorb the impact of the banking sanctions. "That's about half its debt," said Chun Woo Jong, a chip analyst with Dongwon Securities. "It can survive, but in reality it must give up. A company cannot do business in Korea without the support of the government."

Analysts believe it will eventually succumb, but it may also abandon the merger and form an alliance with a foreign partner to manufacture next-generation, high-speed chips.



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## WORLD MARKETS

STOCK MARKET INDEXES	
New York (Dow Jones)	8,253.52 (+35.53)
Dow Jones Ind. Av.	2,189.81 (+25.58)
STOCKS AND BONDS	
US 10-year T-note	107.10 (+0.08)
US 30-year T-note	104.77 (+0.08)
US 10-year T-bill	101.06 (+0.08)
CURRENCY EXCHANGE RATES	
£/\$	1.6379
¥/\$	1.5715
DM/\$	1.5715
FF/\$	1.5715
Y/\$	1.5715
Y/\$	1.5715

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# WORLD NEWS

## EUROPE

SERBIA REVOLT DIPLOMATS DOUBT THAT LULL WILL CONTINUE

## Truce brings halt in Kosovo fighting

By Guy Dinmore in Belgrade

Serbian security forces yesterday kept their distance from ethnic Albanian rebels after four days of clashes in the north of Kosovo province, but diplomats were unsure that a local truce negotiated by international observers would hold for long.

A spokesman for the Organisation for Security and Co-operation in Europe (OSCE) said the two sides had agreed to a ceasefire on Sunday and OSCE observers had evacuated two wounded men, one Serb and one Albanian.

At least 14 people were killed in fighting that began on December 24 in several villages held by the rebels close to the northern town of Podujevo. Most of about 100 armoured vehicles of the Yugoslav army involved in the operation have since withdrawn to a nearby airfield.

The most serious outbreak of violence since early October had threatened to tear apart a ceasefire announced by both sides after the threat

of Nato intervention forced Yugoslav President Slobodan Milosevic to withdraw most of his special police units and part of the army from Kosovo.

Diplomats paid tribute to William Walker, the US ambassador heading the OSCE verification mission, and US and British observers who persuaded the warring parties around Podujevo to stop fighting.

But diplomats also noted that their direct intervention had gone beyond the mandate of the OSCE and raised concerns about the safety of unarmed observers venturing into conflict zones.

Ethnic Albanian villagers in Lapastica took advantage of yesterday's calm to bury two men killed by shellfire. Local commanders of the pro-independence Kosovo Liberation Army (KLA) told reporters, however, that they knew nothing about a ceasefire negotiated by the OSCE.

Serbian officials yesterday accused the KLA of killing three gypsies in the nearby town of Mitrovica on Sunday night, after the OSCE had

negotiated a ceasefire between the two sides.

KLA rebels in the Podujevo area were well equipped with new uniforms, snow-camouflage gear and the paraphernalia of a mobile guerrilla army - generators, satellite phones and a fax machine. On the other side of the newly established front line, Serbian soldiers in greatcoats huddled around a camp fire next to a lone tank.

Serb civilians fled villages around Podujevo, fearful of further attacks by the KLA. Municipal leaders in the town, which lies on a main north-south highway, issued an open letter to Mr Milosevic and other Serbian leaders in which they accused the Belgrade regime of failing to guarantee their security.

Their protest reflected the nationalist pressures on Mr Milosevic not to cede territory to the KLA, while at the same time the Belgrade regime needs to cut a deal on autonomy for Kosovo that would bring relief to the sanctions-hit Serbian economy.

## US unimpressed by exchange rate target zones

Emu launch will make little difference to American policy of benign neglect of dollar, and active management idea finds little favour, reports Wolfgang Münchau



ECB watch

US officials are pouring cold water on Franco-German suggestions for target zones in the exchange rate between the euro and the dollar.

The comments suggest that the US will continue to pursue a policy of benign neglect towards the dollar, and that the launch of European economic and monetary union (Emu) on January 1 will make no difference to present US policy.

The debate over exchange rate policy in the future euro-zone has been triggered by concern in Europe over possible exchange rate instability next year. A growing number of European finance ministry officials, central bankers and academics believe the euro could appreciate strongly against the dollar during 1999, as international investors pile into euro assets.

William McDonough, president of the Federal Reserve Bank of New York, said in a recent interview that the

arrival of a new competitor to the dollar would impose strong disciplines on US economic policy.

But he rejected suggestions that the euro-dollar exchange rate should be constrained through target zones or other means of active policy management. "I don't think it is realistic or desirable to have an agreement on target zones. The best thing for Euroland is to run its economy properly."

This view is fully shared by senior officials in the Clinton administration. One official indicated that a policy shift would not be considered unless there was a serious crisis in the foreign exchange markets.

Fred Berenson, director of the Institute of International Economics in Washington, is one of the few US advocates of exchange rate target zones. He said Japan's recent policy shift in support of target zones had added significantly to the weight of

international opinion favouring a more activist exchange rate policy.

He also noted that the decline in the dollar, as presidential candidates were bound to blame the \$300bn current account deficit for the loss of US manufacturing jobs. He said the dollar could prove vulnerable to an election campaign hijacked by rhetoric on trade protectionism.

"The only way to reduce the deficit is through a lower exchange rate," Treasury secretary Rubin's strong dollar rhetoric will then be

While US officials are relatively unconcerned about the exchange rate, they appear both concerned and baffled by economic policy inside Europe itself.

There is near-unanimous agreement among US officials that Emu's survival

depends on Europe's willingness to embrace more flexible labour, product and financial markets.

Even economists such as Professor Paul Krugman of the Massachusetts Institute of Technology, who in the past have criticised Europe's overly conservative monetary policies, now say the centre-left governments have shifted their focus too far from micro-economic reform towards macro-economic demand management as a tool for reducing unemployment.

Macro-economic policy, said Professor Krugman, could for example reduce unemployment in Germany by only some 2 percentage points.

There also remains great concern and confusion over the policies and strategies of the European Central Bank itself. One senior official at the International Monetary Fund said Europe's central bankers were wrongly

attaching a significant weight to monetary indicators in their public pronouncement, while effectively ignoring these data in their day-to-day policy decisions. This disjunction between policy and action, he said, was cause for serious concern.

Even among US central bankers there is some concern that the strict rules and numerical targets the ECB has set itself could interfere with the need to act with sufficient speed and flexibility. This would be particularly important if the recent global financial turmoil were to erupt again.

The best hope is that the ECB will continue to act as pragmatically as it did earlier this month, when European central bankers agreed in Lisbon to cut interest rates from 3.5 to 3.0 per cent. Nothing in the ECB's pronounced strategy made that concerted action necessary.

The Financial Times' weekly table of economic indicators for the euro-zone will resume next week, in the edition of January 5, as part of our comprehensive coverage of the euro.

## 'Euro may be a success - but not for us'

By George Parker, Political Correspondent

Britain's opposition Conservative party yesterday conceded it was "perfectly conceivable" that the euro would be a success for some of its founding members.

But Francis Maude, shadow chancellor (treasury minister), insisted his party was justified in ruling out British participation in the single currency in this parliament and the next. The Conservatives want to see the euro operating "in good times and in bad" before deciding whether the UK should join the single currency.

The party will fight the next general election with a pledge to save the pound - a policy that would apply until the following election, which is expected to be held in 2005/6.

However, in a softening of the party's tone towards the euro, Mr Maude told the Financial Times he believed the project could be a success for key participants.

"Despite our deep reservations about whether Emu entry will ever be right for Britain, it is perfectly conceivable that for the 'core countries' of Euroland [France, Germany and Benelux nations] Emu will be a success," he said. "I certainly hope so."

He warned that there could be problems for other euro members such as Ireland, whose economy was overheating and for which lower interest rates could be dangerous.

The Conservatives argue that Britain's economy is similarly out of step with the "continental core" of the euro-zone - and might remain that way for many years to come.

He said research by the House of Commons Library concluded that a cut in UK interest rates of 3 percentage points (to bring it into line with the euro rate) would have to be accompanied by tax increases of £10bn (£17bn) - the equivalent of

5p (6 cents) on income tax - to calm inflationary pressures.

The party also has strong constitutional objections to British membership, with many MPs linking the survival of the pound with a defence of national sovereignty.

The launch of the euro is likely to be greeted with renewed demands from pro-European Conservative MPs for the party to reopen its mind to a possible early entry.

"It will be easy for people to get carried away in the euphoria that is bound to accompany the launch of the single currency," Mr Maude conceded.



Maude: 'deep reservations'

## Issing sees no risk of recession

By Tony Barber in Frankfurt

Economic growth in the 11 nations adopting the single European currency will slow down in 1999 but there is no danger of a recession during the euro's inaugural year, an executive board member of the European Central Bank said yesterday.

Oskar Issing, formerly the German Bundesbank's chief economist, said the euro-zone would act as "an important island of stability for the global economy" so long as the region's gross domestic

product grew next year by at least 2 per cent.

"The predictions for the euro-zone in 1999 all give one message: growth will clearly slow down, but we are not facing a recession," Mr Issing told a German news agency, VWD. "The outlook for prices is very favourable, and there is no danger either of deflation or of a revival of inflation. This means that 1999 will be characterised by price stability."

Most independent economists expect growth in Germany, the euro-zone's large

est economy, to slow from 2.7 per cent this year to 2 per cent or less in 1999. Among the most frequently cited factors are falling export orders, the continuing impact of the Asian and Russian economic crises, and a decline in business confidence triggered partly by tax reform plans.

"Exports will weaken dramatically. They were until now Germany's economic motor," said the president of the Munich-based Ifo research institute, Karl-Heinrich Oppenlander.

The poor outlook for growth has caused some economists to ask if German unemployment will fall next year.

Carrefour, the French retailer, said yesterday its shops would accept payments in euros by bank card or cheque from January 4.

Reuters reports from Paris. Carrefour will start double-checking goods on the shelves in February. Its hypermarkets with petrol stations will advertise the fuel prices in both currencies from March.



Issing: 'island of stability'

## Rome acts to avert Jubilee year strikes

By Paul Ratts in Milan

Italy's centre-left government and the largest left-wing trade union confederation have joined forces to limit strike action by the country's belligerent transport workers in 2000, when up to 50m pilgrims are expected to flock to Rome.

The festivities will embrace two coinciding events. One involves the Vatican's Jubilee, celebrated every 25 years since the 14th century. The other is the Eternal City's millennium celebrations.

Franco Bassanini, under-secretary at the prime minister's office, yesterday said

the transport, labour and civil service ministers would meet soon after the New Year holidays to draw up proposals for new rules to prevent strikes disrupting public services during the Jubilee year.

Rome is expecting invasion by 40m-50m pilgrims for the Vatican celebrations alone. A religious event is expected to take place every three days during the whole of 2000. Every 12 days, Rome will host a mass Jubilee gathering attracting 300,000-2m people on each occasion, according to official estimates.

The high point is likely to be the World Youth Days in the middle of August 2000, when 28,000 coaches are due to converge on Rome.

The government and the Vatican have been worried for months that a series of ambitious infrastructure programmes will not be completed on time. Now they fear transport strikes could add to the nightmare.

Apart from the traditional militancy of transport workers, a total of 58 national wage contracts in the transport sector are due for renewal at the end of 1999. The biggest contracts will involve more than 110,000 railway workers, the staff of Alitalia, the national flag carrier due to be privatised

in 1999, workers at Rome's Fiumicino airport, and about 16,000 bus and tram drivers.

The new government proposals would seek to persuade individual unions to complete the contract negotiations well before the Jubilee and to introduce a code of conduct to prevent small labour associations from calling strikes that could have repercussions throughout the transport system.

Last week, for example, just before Christmas, a union representing 1,300 out of the country's 13,000 railway station masters called a 48-hour strike that brought chaos to the railways.

official of the Cgil labour confederation, also said the country needed "special rules for an event as special as the Jubilee".

But several other union representatives and spokesmen for the small Green party, which supports the government, and the hard-line Refounded Communism party have already accused the government of attempting to turn transport workers into scapegoats, should the celebrations flop. They said the authorities were alarmed because they had grossly underestimated the impact the Jubilee was likely to have, on not only Rome but the whole country.



An ethnic Albanian guerrilla sniper aims at Serb security forces near Podujevo at the weekend. International observers have negotiated a shaky truce

FINANCIAL TIMES  
Published by The Financial Times (Europe) GmbH, Schellingstrasse 3, 80331 Frankfurt am Main, Germany. Telephone: +49 69 156 1550, Fax: +49 69 156 1581. Registered in Frankfurt by Colin A. Kennedy as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. The shareholders of the Financial Times (Europe) GmbH is Pearson Overseas Holdings Limited, 1 Burlington Gardens, London, W1N 1LE. Shareholder of the company is Pearson plc, registered at the same address.

GERMANY:  
Responsible for Advertising contact: Colin A. Kennedy, Prater Strasse International Verlagsgesellschaft mbH, Adminal-Rosenfeld-Strasse 3a, 40225 Neuss, Germany. ISSN 0174-7433. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southbank Bridge, London SE1 1UL.

SWEDEN:  
Responsible Publisher: Brundley P. Johnson. Telephone: +46 8 791 2345, Printer: AB Kvalitetstryckeriet, PO Box 6407, S-200 06, Kibiköping.

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## The voice of business heard around the world

How outgoing president Helmut Maucher got global institutions listening to the once fusty International Chamber of Commerce

By Frances Williams in Geneva

When Helmut Maucher, chairman of the Swiss foods group Nestlé, became president of the International Chamber of Commerce in 1997, he had one overriding objective: to make the voice of business heard in global decision-making.

As he sits the boss of a company built on some of the world's most successful brands, Mr Maucher set about repackaging the ICC as the "world business organisation" and convincing an indifferent audience that its message was worth buying.

His first task was to transform the ICC itself. Founded in 1919, it was a worthy but fusty organisation with some

200 committees and an old-fashioned image that went with its venerable Paris headquarters. "You could almost smell the dust," says a Nestlé colleague.

Under Mr Maucher's direction the ICC has been streamlined, activities merged and chopped, and more effort put into formulating public positions on global issues including the promotion of international rules on investment, electronic commerce and other areas of interest to business.

Mr Maucher's personal network of business contacts was mobilised to recruit more industry leaders to the ranks of the ICC. It now has more than 7,000 member companies and associations

in over 130 countries, representing many small and medium-sized companies as well as multinationals.

He also brought in Maria Livanos Cattani from the Geneva-based World Economic Forum, organisers of the annual Davos symposium, to be the ICC's secretary-general. He even tried - but failed - to change the ICC's name to the World Business Organisation.

Two years on, as Mr Maucher prepares to hand over the ICC presidency to Adnan Kassar, a Lebanese banker, these efforts appear to have paid off. "We have established the ICC as the preferred dialogue partner for business with the United Nations and other international institutions," he says

with some satisfaction. "We have convinced them that it is worthwhile for their work to take account of our views."

In addition to private meetings with top officials, the ICC has also become more involved in activities of UN and other international bodies such as the World Trade Organisation.

Over the past year the ICC has organised with the WTO a symposium on problems with customs ahead of likely negotiations in the next series of global trade talks. A meeting with WTO ambassadors is planned for early next year.

The ICC also undertook a joint survey with the UN Conference on Trade and Development of companies'

investment plans in Asia following the crisis there. And in September it organised a "high-level" dialogue between industry leaders and top UN officials in Geneva which launched the so-called Geneva declaration, the ICC's (and Mr Maucher's) globalisation manifesto. Kofi Annan, UN secretary general, has been a strong advocate of greater involvement of business - and other parts of "civil society" - in the UN's work at all levels.

However, Mr Maucher, who is full of praise for the UN chief, says convincing some other senior UN officials that they should listen to business was far more difficult. It was and is not easy to overcome the widespread prejudice that business

interests are necessarily inimical to UN goals.

That contrasts with the privileged position in UN counsels enjoyed by many pressure groups. "A lot of ideas get pushed in a hidden way so you cannot engage in debate," says Mr Maucher. "This is not democratic and not part of an open society. We should know who finances these groups and they should present their ideas openly."

Business has just as much right - more, in his view - to help shape global rules as pressure groups. "The ICC can speak with a certain moral authority because we're not pushing a particular business interest," he says. "We're not going to governments and pushing to



Maucher: repackaging

sell more Nescafé. If you have good arguments and no hidden agenda you have a chance of being listened to."

ban  
placed  
Bhutto

sees rise in  
production

pick up

output down

losses increase

الرياض

## Travel ban is placed on Bhutto

By Farhan Bokhari in Islamabad

Benazir Bhutto, Pakistan's opposition leader, was yesterday stopped from leaving the country in the latest sign that Prime Minister Nawaz Sharif's government was ratcheting up the pressure on her.

Ms Bhutto was about to board a flight from Karachi airport for Dubai to celebrate the New Year with her three children, who go to school there, when she was served with an official order banning her from travel abroad.

Her name had been placed on the Exit Control List (ECL) of individuals including politicians and businessmen who are barred from leaving the country, officials said. Opposition leaders quoted airport officials as telling Ms Bhutto that she was stopped on the grounds that she was on trial charged with corruption. However, she has been able to travel freely since her first court appearance last year.

The government is trying to exploit the emotions of a mother by not allowing me to see my children. It's another black chapter," Ms Bhutto said. "My children have nothing to do with politics. The incident has shocked me. It has also exposed the ugliness of Pakistani politics."

The move came more than

two years after Ms Bhutto was sacked by Farooq Leghari, the former president, over accusations that she and Asif Ali Zardari, her husband, had amassed millions of dollars from illicit dealings including bribes for government contracts. Ms Bhutto and Mr Zardari have denied the allegations.

Recently Mr Sharif's government has been jolted by newspaper reports in Pakistan and abroad accusing him and his family of graft and the purchase of real estate in London. Mr Sharif has denied the accusations.

The opposition, however, has demanded an independent judicial inquiry into the allegations against Mr Sharif. On Saturday, Ms Bhutto delivered a fiery speech in parliament accusing him of corruption.

Ms Bhutto's lawyers are expected to file an appeal today against the decision to stop her leaving the country. Analysts said it was possible she might win in court but the placing of her name on the ECL is likely to make the political atmosphere even more bitter.

Rashed Rehman, a political commentator, said: "In political terms, this amounts to a substantial escalation in the harassment of the opposition." He said the opposition would redouble efforts to campaign against the government.

## Yacht race tragedy sparks criticism

By Susan Robinson in Sydney

At least six deaths and numerous injuries in the Sydney to Hobart yacht race overshadowed its closing stages early today, amid controversy over why organisers did not delay the start of the race in response to forecasts of bad weather.

The contest for one of the most prestigious yachting honours became a fight for survival yesterday as nearly 60 people were winched from heavy seas in the largest maritime rescue operation in Australian history.

Yachts began sending distress signals on Sunday afternoon after they were hit by a freak gale and waves

which one competitor described as the size of "two-storey buildings". Civilian and naval helicopters, search aircraft and vessels fanned waves up to 20 metres high and winds of more than 150km per hour off Australia's south-east coast.

In a dramatic operation late on Monday, helicopters searching for five missing men saw a light at sea just as the search was called off for the night. Shortly afterwards, they winched two men to safety from a life-raft but learned three others on it had been swept overboard.

The five, along with four other crew members, had abandoned their stricken vessel, Winston Churchill,

on Sunday afternoon.

"Most of the crews are in survival pattern," said Kevin Lacey, a crewman from the yacht *Bank*, which retired from the race. "They're not racing any more. It's a fight to stay alive out there."

Among those presumed dead was Glyn Charles, a British Olympic yachtsman, who was washed overboard from his 12m yacht, *Sword of Orion*, on Sunday night, and the three missing crewmen of Winston Churchill. Rescuers said there was "no chance" that Mr Charles, who was injured, could have survived more than 36 hours in the rough seas.

One survivor said the con-



Crew of the stricken yacht *Stand Aside* photographed before their rescue yesterday

ditions were "like sailing in a washing machine". On Sunday, two men died on *Business Post Nalad*, an Australian yacht which lost its mast after being hit by a 10m wave. The skipper, Bruce Guy, suffered a heart attack while a crewman, Phil Skeggs, drowned after becoming entangled in

his safety harness. The 54-year-old race has become a Christmas tradition. As suggested by its nickname, "Hell on High Water", the race has at times run into stormy seas but had previously claimed only two lives: in 1984 a man was washed overboard in gale-force winds and in 1989 a

man died of head injuries after winds snapped a yacht's mast.

This morning as the leading yacht, *Sayonara*, headed for line honours in the race, the flags festooning Hobart were at half-mast. Fewer than 50 yachts among the 115-strong fleet of competitors remained in the race.

## Sharp slowdown in Vietnamese export growth

By Jonathan Birchall in Hanoi

Vietnam's 1998 recorded its slowest rate of annual export growth since beginning its programme of economic reforms a decade ago, with the pace falling from around 22 per cent last year to just 0.9 per cent

over the past 12 months.

According to official estimates, the country's total exports in 1998 were worth \$9.6bn, while imports fell by 3 per cent to \$11.39bn, mainly as a result of import restrictions.

Vietnam's problems were aggravated by low world oil

prices, which offset an increase in the volume of oil exports of around 25 per cent to 12bn tonnes.

Shipments abroad of footwear and garments, which together make up Vietnam's principal manufactured exports, were virtually unchanged over the previous

year, with an increase in sales to Europe offset by a fall in demand in Japan.

Regional demand has collapsed as a result of the Asian economic crisis: the value of Vietnam's exports to Japan, for example, is estimated to have fallen by 25 per cent this year.

Vietnam's vulnerability in the current crisis is heightened by the lack of a trade agreement with the US, which American officials say is now unlikely before 2001.

Exporters have also been hit by the effective appreciation of the Vietnamese cur-

rency, the dong, against its regional competitors.

A recent World Bank report noted that even though the dong had been gradually devalued by 17 per cent since the crisis began in June 1997, this had been "insufficient to offset gains in competitors' positions".

### NEWS DIGEST

#### TURNAROUND FROM SHARP DECLINE

#### South Korea sees rise in industrial production

South Korea yesterday said its industrial output climbed 1.4 per cent last month, the biggest year-on-year rise recorded in any month so far this year. But the government said it was too early to be optimistic that an economic recovery was under way. The year-on-year rise in November's output compared with an 8.3 per cent decline in October, National Statistical Office figures showed. The office said overall indicators, including production, shipments from factories, wholesale and retail sales, orders of machinery and construction improved last month.

Shipments from factories were down 3.1 per cent in November, compared with an 11.4 per cent decline in October and a 3.0 per cent drop in September. Domestic construction orders fell 35.6 per cent last month compared with a 51.9 per cent plunge in October. But domestic machinery orders slipped 5.1 per cent, against a 25.8 per cent drop in October. Reuters, Seoul

#### THAILAND TRADE

#### Exports fail to pick up pace

Thai exports are still falling in US dollar terms despite the baht losing about a third of its value over the past 15 months, official data showed yesterday. The Bank of Thailand said in its monthly report that Thailand exported goods worth \$4.47bn in November, down from \$4.49bn in October and \$4.78bn in November 1997.

The country registered a small rise in its trade surplus to \$1.11bn from \$1.09bn in October but this reflected a continuing fall in imports as domestic demand collapsed. The economy is expected to contract by around 8 per cent this year after a decline of 0.4 per cent in 1997.

The government forecasts an economic improvement next year and accepts a recent International Monetary Fund prediction that Thai gross domestic product will grow by about 1 per cent next year. Much of Thailand's forecast growth is expected to come from export industries, which should be benefitting from the sharp depreciation of the baht since it was devalued in July 1997, triggering the Asian economic crisis. The central bank report also said that Thailand's current account surplus widened to \$1.28bn in October, from \$1.10bn in September and \$700m in October 1997. Reuters, Bangkok

See Comment & Analysis: Fallen on dark side of life

#### SINGAPORE ECONOMY

#### Manufacturing output down

Singapore's manufacturing output shrank by 3.3 per cent in November compared with the same month last year, the Economic Development Board reported yesterday.

In the January to November period, output fell by 0.6 per cent year-on-year. Weak demand led the engineering sector to contract by 10 per cent in November, the petroleum refining industry by 6 per cent and the petrochemicals sector by 2.7 per cent. However, the pharmaceuticals sector expanded by 57.8 per cent as leading plants stepped up production to meet higher export demand.

The electronics sector gained by 0.4 per cent in November, meeting US and European demand for computers and telecommunications equipment. T J Tan, Kuala Lumpur

#### CHINESE INDUSTRY

#### State group losses increase

Losses at China's state-owned industrial enterprises rose 36.3 per cent year-on-year in the first 11 months of this year, according to a report showing the problems many state groups are having adjusting to a market economy. State-owned industrial enterprises registered losses of RMB78.84bn (\$9.5bn) from January to November, the *Economic Daily*, a government-owned newspaper said.

According to an official survey of 58,000 state companies, 49 per cent of state-owned enterprises were losing money by the end of October this year, up 3 percentage points from the same period a year earlier. Among the loss-making state companies, 55 per cent were large and medium-sized enterprises, the survey conducted by the China Economic Monitoring and Analysis Centre showed. James Harding, Shanghai

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## INTERNATIONAL

## Netanyahu to face further poll challenge



Ze'ev Binyamin Begin announced candidacy for the premiership

By Avi Machlis in Jerusalem

Ze'ev Binyamin Begin, the only son of Menachem Begin, the late Israeli prime minister and a Likud founder, yesterday quit the party and announced his candidacy for the premiership in the latest challenge to Benjamin Netanyahu, Israel's prime minister.

Mr Begin, a stalwart Likud ideologue, accused the government of abandoning traditional Likud doctrines which maintain that all of the biblical Land of Israel, including the Israeli-occupied West Bank, is an integral part of the modern state of Israel.

In a fiery speech reminiscent of his father's style, Mr Begin lashed out at Mr Netanyahu's government for "caving in" to the Palestinians. "Territorial compromise cannot bring peace nor security," he said.

Mr Netanyahu's govern-

ment recently froze implementation of the Wye River accord it signed in October, under which Israel agreed to transfer 13.1 per cent of the West Bank to Palestinian control.

Although Mr Begin is unlikely to beat Mr Netan-

showed Mr Begin could win 9 per cent of the vote in the first round of a four-way race including Ehud Barak, Labour leader, and Amnon Lipkin-Shahak, former army chief of staff, who is expected to announce his candidacy to lead a new centrist

The Knesset (parliament) last week voted overwhelmingly for early elections after Mr Netanyahu failed to secure support for freezing the peace process.

Party leaders had been considering several dates after May 4, when the five-year interim period set in the Oslo peace accords ends, and Yasser Arafat, Palestinian Authority president, plans unilaterally to declare statehood. Labour leaders are trying to convince Mr Arafat to defer declaring statehood, since this could play into Mr Netanyahu's hands during elections.

Meanwhile, Yitzhak Mordechai, who recently resigned as finance minister, urged parties to go to the polls as soon as possible, since an extended campaign would make it difficult to cut the budget deficit from 2.4 per cent of gross domestic product this year to 2 per cent next year, as planned.

## In a fiery speech reminiscent of his father's style, Mr Begin lashed out at the government for 'caving in' to the demands of the Palestinians

yahu, his departure from Likud is a big blow to the prime minister, who has always derived support from Jewish settlers in the West Bank. Settler leaders are divided on whether to support Mr Begin, since some fear that he could split the country's right wing.

A Gallup poll last week

party, Mr Netanyahu would get 27 per cent, but would advance to the next round.

Labour and Likud delegates are still trying to agree an election date, although a Labour party lawmaker said last night both sides had tentatively agreed on May 17 for early elections for prime minister and parliament.

## ISLANDS DISPUTE IDEA FLOATED IN TALKS

## Plan for freeze on Argentina's Falklands claim

By Ken Wain in Buenos Aires

A plan to freeze Argentina's 165-year-old claim to the Falkland Islands has been floated in private discussions between Guido Di Tella, Argentina's foreign minister, and Mike Summers, one of the islands' legislative councillors.

The aim would be to put the Argentine claim on hold for up to 20 years, in exchange for the normalisation of communications and business links between the islands and Argentina.

These links were broken with the 1982 UK-Argentine conflict over the islands.

The sovereignty dispute continues to overshadow relations between Britain and Argentina. However, business and diplomatic ties between the two countries have strengthened rapidly since the resumption of formal relations in 1990, culminating in President Carlos Menem's trip to London in October.

The freeze on sovereignty was discussed during a hastily organised meeting between Mr Di Tella and Mr Summers in Montevideo, Uruguay, on December 18.

The two men dispute who raised the idea, with Mr Summers insisting that the proposal came from Mr Di Tella.

The plan was immediately rebuffed by the islands' leg-

islative council, meeting before Christmas, due to Argentina's continued "threatening attitude", Mr Summers said.

However, a sovereignty freeze might be acceptable to islanders if it culminated in a binding plebiscite over the islands' future, effectively ensuring their right to self-determination, he added.

Islanders are unhappy over pending Argentine legislation threatening economic reprisals against oil companies and fishing boats operating off the islands without Argentine permission.

They are also concerned that Argentine insistence that flights to the islands should pass through Buenos Aires would give Argentina a stranglehold over air links.

The current air link with South America is due to end at the end of March when LanChile withdraws its weekly flights to Port Stanley in protest at the detention in London of the former Chilean leader, General Augusto Pinochet.

Freezing the Argentine claim as a way out of the diplomatic impasse has been discussed before, including during secret talks at Chevening, the country residence of the British foreign secretary, in January 1997.

The talks ended in failure, apparently amid divisions on the Argentine side.

## Doubt over UN task in Angola

By Mark Turner in Nairobi

The weekend disappearance in Angola of an aircraft with 10 United Nations monitors on board has added to a growing debate about the future of Monrovia, the UN's observer mission in the country.

Diplomats and Monrovia officials say the organisation's current mandate to oversee the implementation of the 1994 Lusaka peace agreement between the Angolan government and Unita rebel movement, has become almost untenable following the resumption of all-out hostilities between the warring parties earlier this month.

"I think it will be very difficult for Monrovia staff to stay where they are and perform any task," said a diplomat close to the organisation. "There will have to be a change in the concept and deployment of Monrovia."

Issa Diallo, the special representative of the UN sec-

retary-general, is expected to present a mid-term review of Monrovia's mandate early next month.

"That report will be a milestone," said one diplomat. "It will set the parameters for the debate."

Unita and the Angolan government renewed hostilities earlier this month, with heavy fighting around the towns of Kuito and Huambo, previously a Unita stronghold, in the country's central highlands.

Thousands of refugees have fled to Huambo, which remains in government hands, threatening a humanitarian crisis, according to aid agency officials.

The UN aircraft, with 14 people on board, went down in flames shortly after leaving Huambo on Saturday, crashing 40km away in Vila Nova, according to government reports. The cause of the disappearance remains unclear.

The World Food Programme has grounded all



aircraft operating in the region until tomorrow pending review and Mr Diallo has called for a ceasefire to enable a search and rescue mission to be mounted.

"In our hour of need we appeal to Unita to respond by establishing contact with us and provide information about the crash, as well as giving Monrovia assurance of safe passage to the location of the crash," he said.

The disappearance comes amid growing criticism by the Angolan government that Monrovia stood aside while Unita flouted the Lusaka peace agreement and resumed.

In a recent radio statement it attacked "the passive and complacent manner in which the international community witnessed Unita's repeated refusal to adhere to the Lusaka Protocol despite complaints made at the appropriate time."

"The UN has conceded that the government has 'fundamentally complied' with the Lusaka protocol, while Unita has refused to concede territory and turn over its weapons."

Diplomats said that discussions on a new role for the UN were at preliminary stages but that so far there had been no overt calls for a military-backed peace-keeping mission. "We have to make peace first, before we can keep it," said a Monrovia official.

## Accord nearer on Mexico budget

By Andrew Downes in Mexico City

With just four days to go before they must approve next year's budget, legislators negotiating Mexico's 1999 financial package have tentatively agreed to shelve a contentious new tax on telephone companies, a senior legislator said yesterday.

The accord, reached early yesterday after meetings between Treasury officials and legislators from the ruling Institutional Revolutionary party (PRI) and the right-of-centre National Action party (PAN), would remove a big stumbling block to a budget agreement.

Legislators on the lower house's treasury committee were scheduled to meet later yesterday to begin discussions on how to fill the estimated \$1.5-billion shortfall that would result if the government's proposed increases in telephone charges were rejected.

The initial agreement has

been approved by the PRI and PAN, but it still needs to be approved by the Senate.

Opposition parties have strongly opposed the telephone tax, which the government proposed to replace revenue lost by falling world oil prices. Those opponents have been backed by big telecommunications companies such as Telefonos de Mexico (Telcel).

The government is to avoid unprecedented constitutional changes, the most bitterly contested in 20 years, and the provision to raise phone rates is among the most contentious measures.

The proposed rises have met widespread disapproval, with the PAN insisting it will not vote for a budget containing an increased telephone charges and housewives taking to the streets in protest.

## NEWS DIGEST

## WAVE OF HOSTAGE-TAKING CONTINUES

## Yemen tribesmen kidnap 16 western tourists

Tribesmen yesterday kidnapped 16 western tourists, including 12 Britons, who were visiting southern Yemen, diplomats said. The tourists also included two Americans and two Australians. They were seized in the early afternoon by tribesmen in the southern province of Abyan.

One diplomat said the tourists had been travelling in five vehicles, but one carrying a Yemeni guide and a British man escaped. The two informed the involved embassies of the kidnappings.

The kidnappings took place three weeks after tribesmen abducted four German tourists, including three women. Yemeni officials said the Germans were being held in Marib province 170km east of the capital. The Beni Dabiyen tribe vowed in a written pledge to Yemeni president Ali Abdullah Saleh in June that it would help the government put an end to abductions.

More than 100 foreigners, including several diplomats and of workers, have been abducted since 1992, but most have been released unharmed. *Reuters, Sana'a*

## BANK OF ISRAEL

## Plan for new legal framework

A public committee yesterday submitted proposals for a new legal framework for the Bank of Israel that would diminish the power of the central bank governor by creating a monetary policy committee.

Under the proposals, unlikely to be legislated for until after the forthcoming national elections, the monetary committee would comprise the governor, his deputy, and three independent economic experts.

The committee also proposed to integrate into developed world markets and to place high priority on these countries and to place high priority on these countries and to place high priority on these countries.

The committee also proposed to integrate into developed world markets and to place high priority on these countries and to place high priority on these countries.

## ALGERIAN POLI

## FIS backing for election

Algeria's outlawed Islamic Salvation Front (FIS) yesterday threw its weight behind the coming Algerian presidential election, and pledged to play a large part in the campaign. The vote has been set for April following a surprise decision by President Liamine Zedroui to stand down.

"We will work towards making these [elections] a genuine beginning of a just and global political solution in the context of national reconciliation and of a return to peace and security in the country," the FIS foreign co-ordinating council said in a statement released in France.

The FIS, Algeria's largest opposition group, was banned and went underground after authorities cancelled a general election in 1992 in which radical Islamists held a commanding lead.

More than 85,000 people have been killed in bloody civil wars involving Islamic militants in Algeria since the aborted 1992 vote, according to western estimates. *Reuters, Paris*

## CHILEAN SCOUTS

## World scout jamboree opened

Chilean president Eduardo Frei yesterday opened the 19th World Scout Jamboree, bringing together about 34,000 scouts and organisers from 180 countries. The jamboree, held out on a 3,000-hectare site, is the first to be held in Latin America. In a break from tradition, members of the public will not be allowed on to the site, but can observe from lookouts around the main camping area.

The jamboree, which is reported to have cost \$25m to stage, has presented a logistical headache to metropolitan and regional police, deployed in their thousands to control traffic heading to the event and holidaymakers using the same route on journeys south to the country's popular lake district and beaches. *Mark Mulligan, Santiago*

## Siemens optimistic on China despite difficulties ahead for foreign investors

'We all believe in the future of the Chinese market.' James Harding talks to Ernst Behrens, who oversees operations there

Ernst Behrens, the president of Siemens in China, says long-term investors come to China with their eyes open.

"We all believe in the future of this market," he says, "and, as much as we would like certain different conditions in operations and profitability, we are all aware of the importance of this market and we make the necessary investment in terms of manpower and capital."

Siemens has invested more than 100 million euros in China.

But the question facing the German engineering and electronics group, like many other international investors that have made a "long-term" commitment to China is when - even whether - their strategic investments will pay off.

Most of Siemens' 45 joint ventures in China are profitable but Mr Behrens acknowledges: "We still talk about our strategic future."

Mr Behrens says: "If people would have told us 10 years ago what we would have been able to do today, nobody would have believed it. Great progress has been made over the past years, with regard to operational concerns in China." Siemens opened its representative office in Beijing in 1982.

However, the immediate reality is that business conditions in China have been getting tougher over the past year.

Indeed, there is a sense among a number of foreign investors that the prospects of realising their long-standing "long-term" ambitions of China-generated profits are not getting any nearer.

Mr Behrens agrees that the commercial environment has become markedly more difficult since last year, noting the challenges arising from more competent and more competitive local Chinese companies.

"Western companies have been downloading know-how and technology into China intensively in the last eight to 10 years," he says.

"Of course it has to bear fruit and it does. I am certain we will be confronted with Chinese competition in the same way as we are confronted with Japanese, Korean and western competition today in five or 10 years. We are generating Chinese competition, but we cannot be afraid of it."

Downward pressure on prices has been particularly keen in the power machinery industry, where "margins [are] so small that the business becomes very difficult," the white goods industry, which has "not been so encouraging," and the build-operate-transfer (BOT) projects market, which has offered up no new opportunities for Siemens partly because "if regulations are such that it does not pay you the returns later on, don't do it."

"Are there high prices

anywhere in China now?" Mr Behrens asks. "A few consumer products, maybe, but not in industrial products."

The rise of competitive Chinese manufacturers represents a challenge but was an inevitable feature of the country's economic development.

An added concern for foreign investors in recent months has been the signs that the government may actively favour domestic companies and prevent international manufacturers from competing on an equal footing.

The telecommunications sector, where Chinese companies have rapidly developed goods and services comparable with foreign competitors, has sent a worrying signal.

Beijing has drawn up two documents outlining ways of reducing foreigners' share of the mobile phone equipment market and helping Chinese companies win control of the market.

Mr Behrens understands the dual pressures on the Beijing leadership: "The government has to find a way on the one hand to satisfy the expectations of foreign investors and on the other to safeguard the local industries, before it is too much dominated by 'foreign operations'."

The head of Siemens China is also frustrated by the lack of Beijing's progress towards World Trade Organisation membership.

"We would have wished that China would have

joined the WTO by the year 1999... It is somewhat further away than it appeared at the beginning of this year, which we regret," Mr Behrens says.

The stricter implementation of foreign exchange controls has been another irritant felt acutely by large international companies.

Thomas Doeke, executive vice-president of Siemens China, says: "We have seen a tightening of controls. Things that were approved in a couple of days can now take a couple of months."

While foreign investors wait for China to realise its long-awaited potential, the focus has shifted to cutting costs and raising profitability.

"We will not put up another 40 joint ventures in the next 10 years. Basically all the technologies that we want to bring in we have here," says Mr Behrens. "Now it is all set up and we come into the second phase of operation in China... we have to look into profitability and processes."

Siemens China will concentrate on asset management, reducing inventories and receivables. "It is getting tougher in China to collect money. Collecting money will be one of the key issues... for optimising capital," says Mr Doeke.

But Siemens maintains its "long-term" ambitions. Mr Behrens says: "We are not deterred in any way first by the Asian crisis and second by the somewhat difficult internal conditions within the Chinese economy. We will just go ahead."

## INTERNATIONAL ECONOMIC INDICATORS: PRICES AND COMPETITIVENESS

Yearly figures are shown in index form with the common base year of 1985. The real exchange rate is an index throughout; other quarterly and monthly figures show the percentage change over the corresponding period in the previous year and are positive unless otherwise stated.

UNITED STATES					JAPAN					GERMANY							
	Consumer prices	Producer prices	Wholesale prices	Real exchange rate		Consumer prices	Producer prices	Wholesale prices	Real exchange rate		Consumer prices	Producer prices	Wholesale prices	Real exchange rate			
1987	105.6	100.7	103.9	98.4	76.1	101.3	92.5	103.1	100.0	122.9	100.1	95.0	107.0	107.1			
1988	109.9	103.2	106.8	100.2	71.0	102.3	92.8	107.8	96.0	131.0	101.4	96.2	110.0	106.8			
1989	115.2	108.5	109.9	101.9	74.9	105.7	94.2	114.0	96.9	123.3	104.2	99.3	112.9	108.0			
1990	121.3	113.9	113.5	104.9	73.2	108.9	95.7	120.1	95.7	109.2	107.0	101.0	117.9	110.5			
1991	126.9	116.3	117.3	108.4	74.1	111.9	98.8	124.2	103.9	113.2	109.9	103.4	125.3	109.6			
1992	130.4	117.7	120.1	108.4	74.0	114.0	99.9	125.8	112.8	114.5	116.5	104.9	139.1	115.3			
1993	134.3	119.2	123.1	108.6	75.4	115.4	94.3	125.8	116.8	115.9	121.7	105.1	146.2	119.4			
1994	137.8	119.3	125.5	107.8	74.1	118.2	98.4	128.1	118.3	117.3	125.1	105.7	162.4	121.1			
1995	141.7	122.2	129.7	105.7	88.7	115.9	92.0	132.5	115.8	136.3	127.4	107.5	169.0	110.8			
1996	145.8	125.4	133.9	104.8	73.4	115.8	90.4	135.8	113.2	117.7	129.3	107.1	162.7	109.9			
1997	149.2	129.9	138.0	103.7	79.1	117.4	91.0	139.7	110.0	111.5	131.5	108.2	164.8	108.1			
4th qtr.1997	1.8	-0.7	2.3	0.7	80.2	2.1	1.1	1.8	1.8	108.1	1.8	1.1	1.0	-4.1			
1st qtr.1998	1.5	-1.6	3.0	1.4	82.1	2.1	0.5	0.0	3.8	109.9	1.2	0.8	1.2	-5.8			
2nd qtr.1998	1.7	-0.8	2.8	1.3	83.4	0.6	-1.9	-0.2	7.7	109.8	1.3	0.1	1.7	-10.8			
3rd qtr.1998	1.6	-0.7	2.4	1.4	85.2	-0.1	-1.9	-1.9	7.9	97.8	0.8	-0.7	1.5	106.3			
December	1.7	-1.2	3.1	0.8	81.8	1.8	0.9	1.5	1.5	106.3	1.8	1.1	1.2	-6.2			
January 1998	1.6	-1.7	2.8	0.8	82.4	2.0	0.9	-0.4	3.4	108.5	1.8	0.7	1.2	-5.2			
February	1.4	-1.5	3.1	1.9	81.8	2.0	0.4	0.2	3.4	108.5	1.1	0.7	1.3	-2.2			
March	1.4	-1.5	3.1	1.5	82.4	2.2	0.1	0.3	4.7	108.0	1.1	0.8	1.3	-6.3			
April	1.4	-0.9	2.9	0.9	82.7	0.7	-2.0	-0.2	8.1	102.7	1.4	0.3	1.7	-4.2			
May	1.7	-0.3	3.0	0.9	83.1	0.8	-1.9	-0.1	11.0	100.8	1.2	0.1	1.7	-10.1			
June	1.7	-0.7	2.7	1.9	84.4	0.4	-1.8	-0.2	8.0	97.8	1.2	-0.1	1.8	105.1			
July	1.7	-0.3	2.1	1.9	85.1	0.0	-1.9	-2.4	8.1	97.5	0.9	-0.4	1.8	105.4			
August	1.6	-0.8	2.3	0.9	86.1	-0.1	-1.9	-2.7	9.3	95.3	0.8	-0.8	1.9	105.8			
September	1.5	-0.1	2.0	1.4	84.4	-0.1	-2.0	-0.1	7.4	100.0	0.9	-1.0	1.8	105.8			
October	1.6	-0.7	2.0	1.4	84.4	0.4	-0.4	0.0	7.4	100.0	0.7	-1.2	1.8	107.1			
November	1.6	-0.7	1.9			1.0					0.7	-1.8					
FRANCE					ITALY					UNITED KINGDOM							
	Consumer prices	Producer prices	Wholesale prices	Unit labour cost	Real exchange rate		Consumer prices	Producer prices	Wholesale prices	Unit labour cost	Real exchange rate		Consumer prices	Producer prices	Wholesale prices	Unit labour cost	Real exchange rate
1987	105.9	99.0	107.8	103.0	104.7	111.0	102.2	111.8	107.5	102.1	107.7	104.9	118.3	108.2	94.6	101.0	101.0
1988	108.8	103.5	111.5	104.1	102.1	116.5	105.7	118.4	108.5	100.9	113.0	108.7	126.2	108.8	94.6	101.0	101.0
1989	112.6	108.7	115.8	105.2	99.7	124.2	112.0	126.6	113.8	105.1	121.8	119.8	137.2	114.0	100.9	101.0	101.0
1990	118.5	107.5	121.5	106.6	102.9	131.7	118.2	134.7	122.5	111.1	133.3	121.0	150.1	121.6	101.0	101.0	101.0
1991	120.2	106.4	121.7	113.4	100.7	140.3	120.0	147.8	134.2	113.1	141.2	127.5	162.4	127.9	104.0	101.0	101.0
1992	126.9	112.3	123.1	115.2	102.2	147.7	125.3	155.9	139.8	106.2	148.1	128.6	178.2	130.2	104.0	101.0	101.0
1993	132.2	103.0	135.6	116.1	106.6	153.9	126.9	161.6	145.8	95.2	148.7	128.7	180.9	127.0	92.9	101.0	101.0
1994	137.0	104.2	143.2	108.1	106.0	160.0	131.6	167.0	139.9	93.3	152.4	140.1	199.5	127.9	94.1	101.0	101.0
1995	143.0	109.5	151.5	110.6	106.1	166.5	142.0	172.2	133.9	90.9	157.6	148.1	198.2	127.9	80.7	101.0	101.0
1996	148.7	114.8	158.9	108.0	106.2	175.0	144.7	175.9	146.0	89.1	161.9	149.9	200.8	136.8	80.7	101.0	101.0
1997	154.2	126.1	149.0	102.1	102.1	178.2	146.6	181.6	148.7	102.7	165.5	157.5	215.8	144.4	0.8	101.0	101.0
4th qtr.1997	1.2	0.9	2.8	0.8	102.1	1.6	1.5	3.3	-1.2	102.7	3.7	0.7	4.8	4.2	112.1	101.0	101.0
1st qtr.1998	0.7	2.8	0.8	100.7	1.7	1.1	2.1	-5.7	102.2	3.4	0.6	5.1	5.8	114.8	101.0	101.0	101.0
2nd qtr.1998	1.0	2.4	1.0	101.7	1.8	0.6	3.1	-1.8	102.2	4.0	1.0	5.2	4.6	113.8	101.0	101.0	101.0
3rd qtr.1998	0.7	2.0	1.0	102.5	1.5	-0.2	3.6	1.2	105.6	3.5	0.5	5.2	5.5	113.1	101.0	101.0	101.0
December	1.1	n.a.	n.a.	n.a.	102.1	1.6	n.a.	n.a.	n.a.	102.8	3.8	0.8	4.7	4.2	113.1	101.0	101.0
January 1998	0.5	n.a.	n.a.	n.a.	100.2	1.5	1.2	1.8	1.2	102.6	3.2	0.4	4.9	4.0	113.1	101.0	101.0
February	0.8	n.a.	n.a.	n.a.	101.0	1.8	1.3	1.7	n.a.	102.1	3.4	0.5	5.1	6.1	113.2	101.0	101.0
March	0.8	n.a.	n.a.	n.a.	101.0	1.7	0.9	2.8	n.a.	102.1	3.5	0.9	5.6	5.2	115.2	101.0	101.0
April	1.0	n.a.	n.a.	n.a.	101.3	1.8	0.9	3.1	n.a.	102.3	4.0	1.0	6.1	5.0	115.3	101.0	101.0
May	1.2	n.a.	n.a.	n.a.	102.1	3.7	0.5	3.4	n.a.	104.8	4.2	1.0	6.4	4.8	115.4	101.0	101.0
June	1.0	n.a.	n.a.	n.a.	101.9	1.8	0.4	3.1	n.a.	103.9	3.7	1.4	4.9	4.0	113.4	101.0	101.0
July	0.8	n.a.	n.a.	n.a.	100.7	1.8	0.3	2.4	n.a.	104.5	3.5	0.9	4.8	4.8	114.4	101.0	101.0
August	0.7	n.a.	n.a.	n.a.	101.9	1.9	0.5	3.0	n.a.	104.9	3.9	0.9	4.9	4.8	114.4	101.0	101.0
September	0.5	n.a.	n.a.	n.a.	104.8	1.8	0.2	2.4	n.a.	104.7	3.2	0.3	4.8	4.1	114.4	101.0	101.0
October	0.4	n.a.	n.a.	n.a.	102.5	1.5	0.9	1.9	n.a.	106.8	3.1	0.1	4.9	4.1	113.1	101.0	101.0
November		n.a.	n.a.	n.a.		1.5					3.0	0.1			103.1	101.0	101.0

The following is a list of the names of the persons who have been appointed to the various committees of the Board of Directors of the American Telephone and Telegraph Company, for the year ending December 31, 1910:

Chairman of the Board of Directors Mr. J. Edgar Hoover	Vice President Mr. J. Edgar Hoover	Secretary Mr. J. Edgar Hoover	Treasurer Mr. J. Edgar Hoover
Committee on Finance Mr. J. Edgar Hoover	Committee on Management Mr. J. Edgar Hoover	Committee on Legislation Mr. J. Edgar Hoover	Committee on Public Relations Mr. J. Edgar Hoover
Committee on Technical Matters Mr. J. Edgar Hoover	Committee on General Administration Mr. J. Edgar Hoover	Committee on Labor Relations Mr. J. Edgar Hoover	Committee on Foreign Relations Mr. J. Edgar Hoover

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 Government has been unable to
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1. The first step is to identify the problem. This involves understanding the symptoms and the context in which they are occurring.

1. The first part of the document is a list of names and addresses, which appears to be a directory or a list of contacts. The names are written in a cursive script, and the addresses are listed below them.

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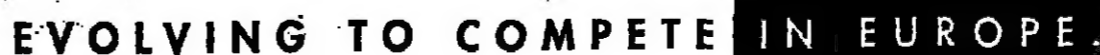
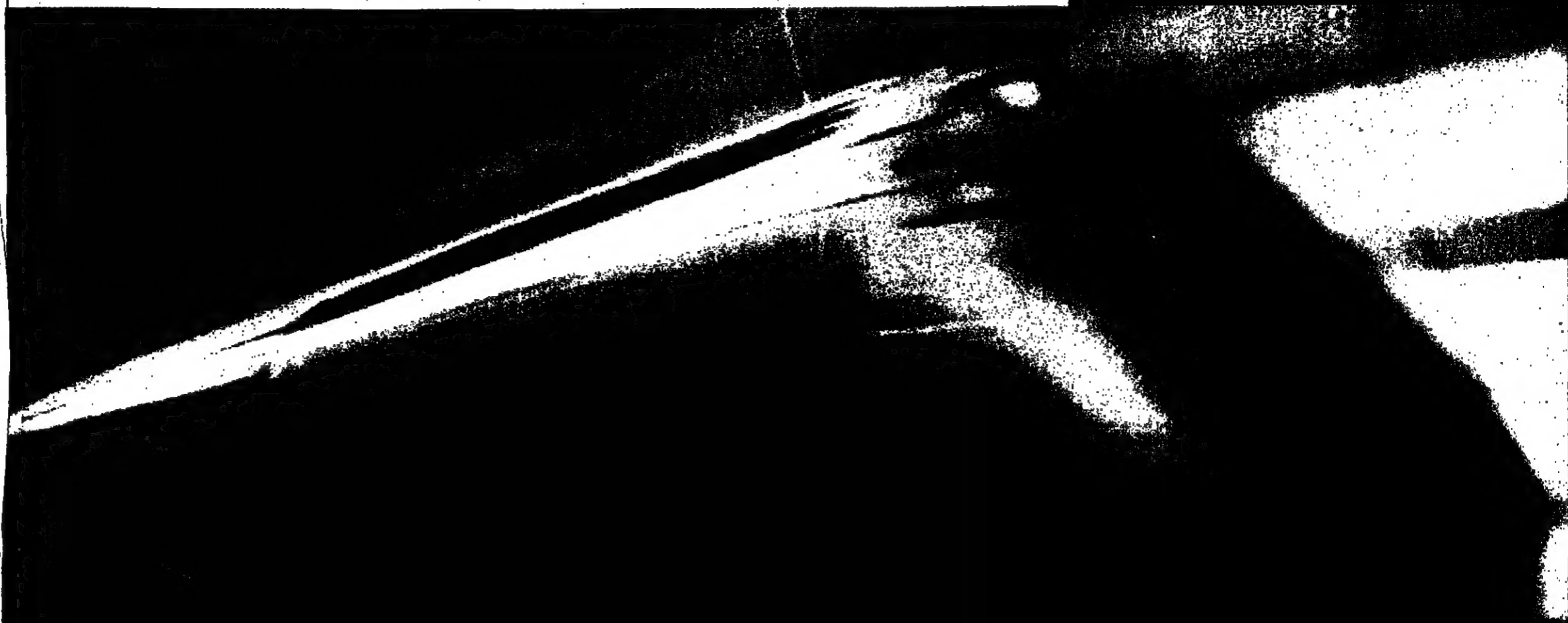
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10. The tenth part of the document is a list of names and addresses, which appears to be a directory or a list of contacts. The names are written in a cursive script, and the addresses are listed below them.

1. The first step is to identify the problem. This involves understanding the symptoms and the context in which they are occurring.

(Charles Darwin)



**Eni**  
Global Offering ENI 4  
1,137,000,000 ordinary shares  
ITL 13,000 billion  
Joint Global Coordinator

**IRI**  
Private Placement ALITALIA  
27,600,000 ordinary shares  
ITL 787 billion  
Joint Global Coordinator

**Alitalia**  
Capital Increase  
360,306,706 ordinary shares  
ITL 1,000 billion  
Joint Global Coordinator

**Salpem**  
Global Offering  
115,000,000 ordinary shares  
ITL 1,140 billion  
Joint Global Coordinator

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UNIONE IMMOBILIARE  
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E S. PROSPERO  
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**ST**  
ST MICROELECTRONICS  
Global Offering  
19,000,000 ordinary shares  
ITL 2,392 billion  
Lead Manager Public Offering  
and Sponsor

**EUROPEAN INVESTMENT BANK**  
Euro Bond Placement  
Euro 300 million  
Lead Manager and Bookrunner

**EUROPEAN INVESTMENT BANK**  
Euro Bond Placement  
ITL 1,000 billion  
Lead Manager and Bookrunner

**WORLD BANK**  
Euro Bond Placement  
Drachma 35 billion  
Lead Manager and Bookrunner

**MEDIO CREDITO CENTRALE**  
Equity-linked Public Offering  
5 years  
ITL 185 billion  
Lead Manager

**MEDIO CREDITO LOMBARDO**  
Zero Coupon  
30 years  
ITL 400 billion  
Lead Manager

**Banco Ambrosiano Veneto**  
Upper Tier-II  
10 years  
ITL 250 billion  
Sole Manager

**CREDNOP**  
Commodity-linked  
5 years  
ITL 100 billion  
Lead Manager

**IMI**  
BANK (LUXS. A.)  
Euro Bond Placement  
Zloty 300 million  
Arranger

**U**

**MoldMedica**  
Start-up Financing  
4 years  
ITL 9 billion  
Arranger

**CHARRIA-FORTI**  
Syndicated Loan  
5 years  
ITL 36 billion  
Arranger

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Spin-off Real Estate  
Financial Advisor

**swissair**  
Acquisition minority stake in  
AIR EUROPE  
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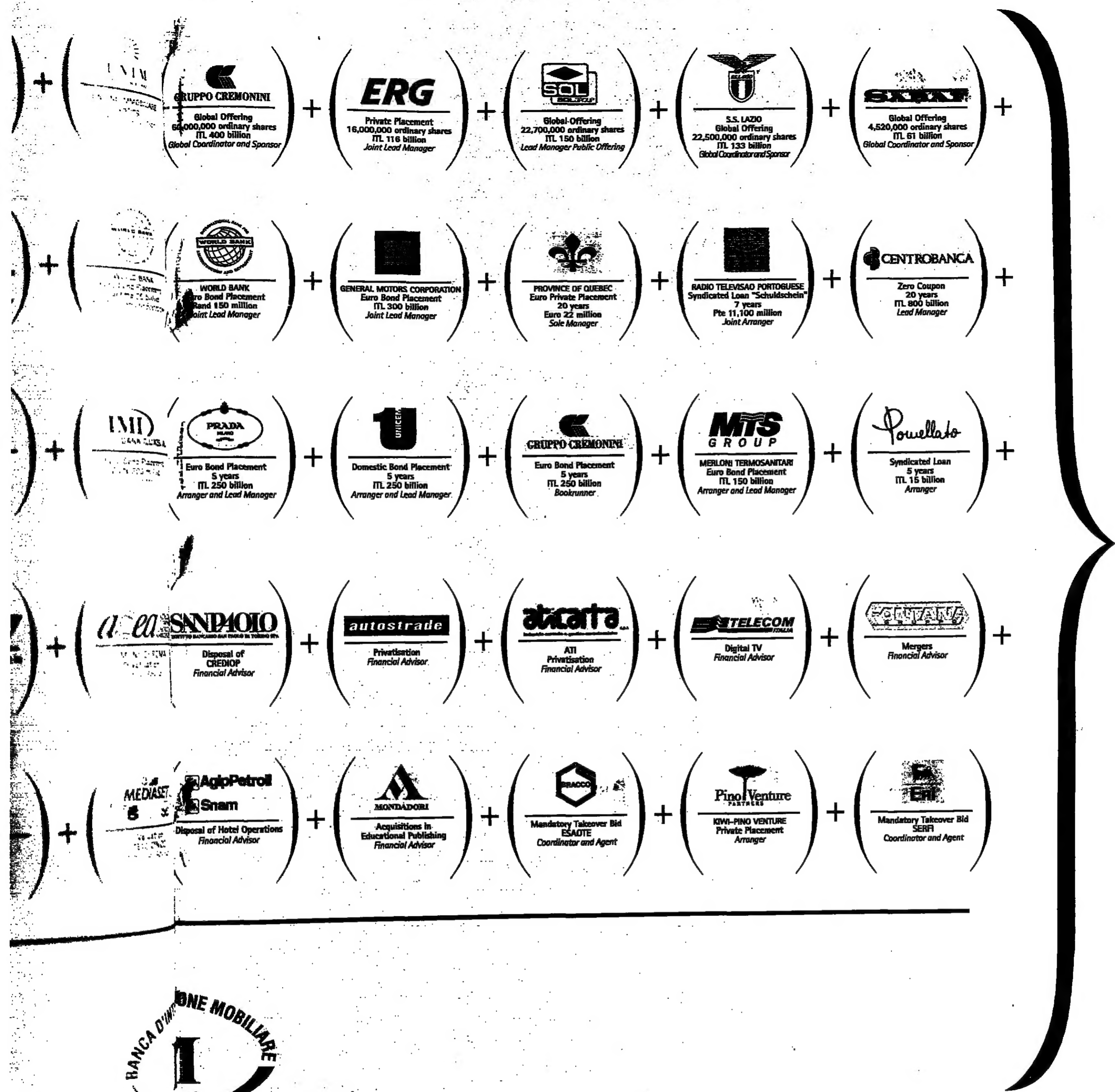
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## BRITAIN

POLITICS PRESS SECRETARY ACCUSED OF BLOWING WHISTLE ON HOME LOANS AFFAIR THAT LED TO MINISTERS' DOWNFALL

## Chancellor's spokesman incurs Blair's wrath

By George Parker,  
Political Correspondent

The prime minister's office yesterday heaped the blame for the government's disastrous Christmas on Charles Whelan, the chancellor of the exchequer's controversial press secretary.

Tony Blair suspects Mr Whelan was behind the leaking of details of Peter Mandelson's £373,000 (£626,640) home loan from Geoffrey Robinson, which resulted in the resignation of

both ministers. Mr Mandelson was chief trade and industry minister, and Mr Robinson was paymaster general at the Treasury.

Gordon Brown, the chancellor, is determined to retain the services of his spokesman, who has denied any involvement in the leaking of the story.

Mr Whelan's survival will be a test of political strength between the prime minister and his chancellor, and threatens further to destabilise the administration.

Jack Cunningham, Mr Blair's cabinet "enforcer", was yesterday despatched to deliver a stern dressing down to ministerial aides who pursued "their own agendas".

Although Mr Cunningham declined to identify Mr Whelan it was clear that the message was aimed at the outspoken Treasury spokesman. "Unauthorised, anonymous briefings have caused trouble for the government, are causing trouble, and have to stop," he said.

Mr Cunningham said the damaging briefing did not come "exclusively from any one particular source". Conservatives interpreted that as meaning that a lot of it did.

Meanwhile, a senior official from the prime minister's office was quoted yesterday as saying it would be held to ransom "by one little old".

However, if Mr Whelan was forced out of the government, his scope for revealing embarrassing political

secrets could be greatly enhanced.

With Mr Mandelson seething on the backbenches in the House of Commons, and bad blood building between the prime minister and the Treasury, the prospect of the government being damaged by further feuding is growing.

Mr Brown's power base at the Treasury would be severely damaged if he lost Mr Whelan as well as Mr Robinson, who resigned as paymaster general last week.

Mr Blair has so far failed to find a ministerial replacement to fill the gap in Mr Brown's team, and has departed for a family holiday in the Seychelles.

The delay in finding a replacement is unusual, and reflects the fact that the government is already up to its limit for ministerial salaries.

Mr Robinson worked without pay, and his replacement at the Treasury would require another department to sacrifice a ministerial post

- a move Mr Blair may be unwilling to countenance in the current climate.

Meanwhile, Francis Maude, shadow chancellor, yesterday demanded details of the extent to which Mr Brown topped up the salaries of his staff before the 1997 general election using funds from Mr Robinson.

Malcolm Bruce, Liberal Democrat Treasury spokesman, said Mr Blair must get rid of Mr Whelan if he was found to be behind Mr Mandelson's downfall.

Unions  
chief  
warns of  
looming  
deflationBy Robert Taylor,  
Employment Editor

The UK will have the lowest growth rate of any European country, with a real danger of deflation, John Monks, Trades Union Congress general secretary, has warned.

"It will be painful for us outside European economic and monetary union," he said.

The TUC expects unemployment to climb by at least 400,000 over the year, mostly in the manufacturing sector where trade unionism remains relatively strong. As a result Mr Monks says the TUC is budgeting for a 2 per cent net decline in union membership, which will take the overall figure to less than 30 per cent of workers for the first time since the 1920s depression.

But his main worry is the UK's self-exclusion from the euro which he believes will precipitate exchange rate instability and a "very uncomfortable relationship" with the European Union.

Mr Monks also sees a looming difference between the UK government and the TUC over EU plans to insist that companies employing 50 or more workers create information and consultation committees. Tony Blair, the prime minister, remains opposed to such an idea while the TUC gives it a high priority.

"The government sees such bodies as Trojan horses for trade union representation, but they are part of best practice in the most successful of UK companies," he says.

Mr Monks is distressed that the government seems unwilling to accept that the unions have modernised and favour social partnership with companies. He remains angry that a recent discussion paper on competitiveness had nothing to say about the role trade unions might play in improving business performance.

## Flushed with environmental success, crew prepares for final voyage

Chris Tighe reports from aboard the MV Northumbrian Water which will take its last cargo of sewage sludge to sea this week

As last voyages go, the final sea dumping trip of the sewage sludge barge MV Northumbrian Water is short on romance.

Captain Steve Bains and his crew have the kind of job many prefer not to think about.

But before the new year Captain Bains and his men will earn a footnote in environmental history when they discharge the last cargo of sewage sludge off the coast of north-east England, just before European legislation outlaws the practice.

"We are the environmentally friendly end of your toilet and proud of it," says chief officer Martin Allison.

Not all Europeans view sewage sludge dumping so benignly. Under the 1992 Urban Waste Water Treatment Directive, agreed by the 1987 North Sea Conference in London, sewage sludge disposal off coasts throughout Europe must stop by midnight on December 31 1998. Since most of those continental European countries with comprehensive sewage collection services already favour incineration, landfill or agricultural use, the UK is among the few affected by the ban.

British sewage companies have spent about £500m

(£840m) over the last five years on changing how they deal with sewage sludge because of the directive. Most have already stopped sea dumping.

But if tides and winds permit, Captain Bains is planning a last dumping trip on December 31 from the River Tyne to the disposal ground, four miles off Whitby Bay, with his cargo of 1,350 tonnes of Geordie sewage.

For merchant seamen, who normally spend months away from home at a stretch, a five-days-a-week job on the MV Northumbrian Water, getting back home each night, seems quite appealing.

Northumbrian, which has dumped sludge at sea since the 1970s, has regularly received inquiries from seamen keen to get a job on the boat.

Each week, she carries out between seven and nine round trips, each four hours long, from the Howdon sewage treatment works on the Tyne to the Ministry of Agriculture, Fisheries and Food-approved dumping ground, plus one longer trip a week from the Portrack treatment works on the river Tyne.

Her cargo, held in tanks and discharged with the help of air blowers, has under-



Captain Stephen Bains: does not get sick - 'just sick of the sea'

Stuart Outland

gone primary treatment before being piped on to the barge.

This means it has been screened to remove paper, plastic, rubber, metal, false teeth, dead animals and cotton buds. Then it settles in tanks at the treatment works for eight hours, so the heavier matter sinks.

"It's the same as making

coffee in a cafetiere," says Northumbrian Water's head of corporate affairs Andrew Panting.

This concept does not trouble Captain Bains, although he is aware of the need for caution because of sewage gases.

No, he does not get sick - "just sick of the sea."

However, carrying out

emergency repairs to the sewage tank valves which must open to release the sewage in which they are immersed is not a popular job.

"I made the mistake of telling my wife about it and she kept away from me for a fortnight," sighs Mr Allison.

What to do with sewage sludge is a global issue. Incineration, landfill and

agricultural use are not without problems.

The Japanese, says Mr Panting, have even tried making jewellery from vitrified sewage. "It's known as kraptonite." In engineering terms, sewage is not the same worldwide. Japanese sewage sludge, for example, is high fibre, low fat. Geordie sewage is high fat, low fibre.

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# Moments of delight and surprise

William Packer nominates his favourite – and least favourite – shows from what has been a good year for art

To say that this past year, so far as the visual arts are concerned, has been much as any other is not to confess myself world-weary, blasé, and bored by it all. Disappointed, irritated, frustrated? Yes, of course, but hardly bored in a field so infinitely varied. As always, from Mayfair to Manhattan, there have also been many compensating moments of real delight and satisfaction, whether as familiar pleasure or surprise.

To start with that old whipping-boy, the Tate, and

**The wooden spoon goes to the Turner Prize; but Bonnard and Sargent were also at the Tate**

the Turner Prize, still fresh in the mind. The award to Chris Ofili (the of the scatological folk-hero art. All set about with elephant dung), together with his autumn retrospective at the Serpentine, marked for me the low point of the year, made lower perhaps for having for the first time in 14 years been made in the name of painting. There that is the wooden spoon out of the way – which he shares only with Anthony Gormley, whose grotesquely pretentious mannikins cluttered up the Royal Academy's forecourt all summer.

But all that said, how then can we really set in stone our attitude to an institution

that, at the same time, is bringing us the great Sargent in all his glory, that brought us Bonnard no less glorious in the spring; and in the summer gave us Lucian Freud in his late vigour, and paid admirable if belated tribute to Patrick Heron? The Tate's Bonnard and Sargent exhibitions could each lay reasonable claim alone to being the best exhibition in even an exceptional year.

We sometimes write off the Hayward Gallery with too pat a prejudice as well. Its *Dressing the Century* this autumn may have proved a waste of a good idea in its attempt to examine the relation of art to fashion, but its spare celebration of Francis Bacon in the spring was a minor triumph. The Royal Academy has had by its standards a fairly unsensational year, yet Chagall, seen in love through his years in Russia during and after the first world war, was a quiet revelation; the Summer Show was its usual engaging self; and the *Art Treasures of England* was a timely polemical celebration of Britain's straitened provincial museums, if only our masters were acute enough to take the point. Picasso's ceramics turned out to be a substantial and enjoyable treat, in defiance of expectation.

As for the National Gallery, if its study by Jonathan Miller of the depiction of reflection in works of art was, in the event, an over-literary, albeit entertaining statement of the obvious, its smaller studies of Van Eyck in the spring and Caneletto's Venice in the summer were generous recompense. So too it has been at the V & A,

where the Poster exhibition may have been another wasted opportunity, but the current double-bill, of Aubrey Beardsley, the decadent illustrator, and Grinling Gibbons, the virtuoso carver, is quite remarkable.

Elsewhere in London we have had the Dulwich Picture Gallery scooping everyone with the first retrospective in the UK of the work of Pieter de Vries, Vermeer's contemporary and rival. The Estorick Collection has set itself up in north London as a centre for the study and presentation of Italian modernism, and a most welcome and necessary addition it is. The Queen's Gallery at Buckingham Palace has given us the drawings of

Michelangelo, the British Museum those of Claude Lorrain. Less happily the Serpentine, magnificently refurbished, re-opened with the pioneer conceptualist, Manzoni, more vacuous now than he seemed 40 years ago, and followed him with Cornelia Parker, his worthy heir with her bits of fluff and stretched spoons.

With so much on in public galleries in London, let alone the regions and abroad, the private galleries get too easily overlooked. Nevertheless, one of them, Timothy Taylor, put on what was for me easily the best small show of the year: the handful of large paintings variously of the Thames and its estuary, that the late Michael And-

rews was working on in the year up to his death in 1985. Other remarkable shows at various times throughout the year were the Gerhard Richter at Anthony d'Offay; Bernard Cohen and Terry Frost at Flowers East; Patrick Caulfield and William Turnbull at Waddington; Peter Phillips at Thomas Gibson; Alan Green, Edwin Ljapunov and Roger Ackling at Annelly Juda; Maurice Cockrill at Purdy/Hicks; Shani Rhys-Jones at Graham Paton; Jock MacFadyen and Humphrey Ocean at Kapil Jarawala; Mary Potter at The Fine Art Society; and Paul Huxley at Jason & Rhodes.

I would also recommend Albert Irvin at Gimpel Fils;

David Tindle at the Radfern; and Pauline Boty at The Mayor and Whitford galleries – all of them still on.

Abroad, and out of London too, have had their moments, and as good as any was the opening of the new Gemäldegalerie in Berlin – not so much for architecture, which is something of a curate's egg, but for the chance to see the city's quite extraordinary collections of Old Master paintings of all schools reunited at last under one roof, after the physical and political separations of 68 years. In Venice, Picasso in the 10 years after 1914, at the Palazzo Grassi, was as choice and pertinent a show as one could wish, fixing the artist in a period

of peculiar interest.

In Paris there has been the usual succession of wonderful things, and at the Musée d'Orsay especially, with its shows closely focused upon Monet and Manet last spring, and their mutual interest in the Gare St Lazare, and now upon Van Gogh in his relation to Millet. I missed Late Delacroix, at the Grand Palais last summer, but was delighted to catch up with it in Philadelphia. The Gustave Moreau centenary show now at the Grand Palais is a fascinating and useful reappraisal, and the Lorenzo Lotto next door, and the Tiepolo at the Petit Palais each in its way magnificent. The hunting paintings and drawings of Des-

portes, painter at the Court of Louis XIV, at the Mona Bismark Foundation, was for me a delightful discovery. Burne-Jones in Birmingham, Dali in Liverpool and William Gillies in Edinburgh have all been of real and particular value. In Brussels, the Magritte retrospective was an exhaustive yet entirely engrossing exercise, and the survey at Bruges of the intermediate period between the early and the Baroque phases in Flemish painting, *From Menin to Pourbus*, a revelation. And in New York, at the Museum of Modern Art, there is the magnificent Jackson Pollock retrospective due here, at the Tate in the spring. Don't wait. See it twice.



On reflection: Velazquez's 'Kitchen Scene with Christ in the House of Martha and Mary' was part of the National Gallery's 'Mirror Image', an over-literary, albeit entertaining, statement of the obvious

## A surreal fairytale for the grownups

**OPERA**  
**RICHARD FAIRMAN**  
Hansel and Gretel  
New Theatre, Cardiff

They say Christmas is only for the children these days, but the grown-ups are starting to get their own back. That delightful fairytale *Hansel and Gretel*, once the kids' preserve, is fast becoming a show for adults only.

Welsh National Opera's new production of Hammer-dick's opera at the New Theatre, Cardiff, dabbles in a wondrously surreal world of dream and nightmare, but the result is a long way from the picturesque fantasy of Christmas tradition. The few children in the audience came out looking pretty grim; it was the parents who had smiles on their

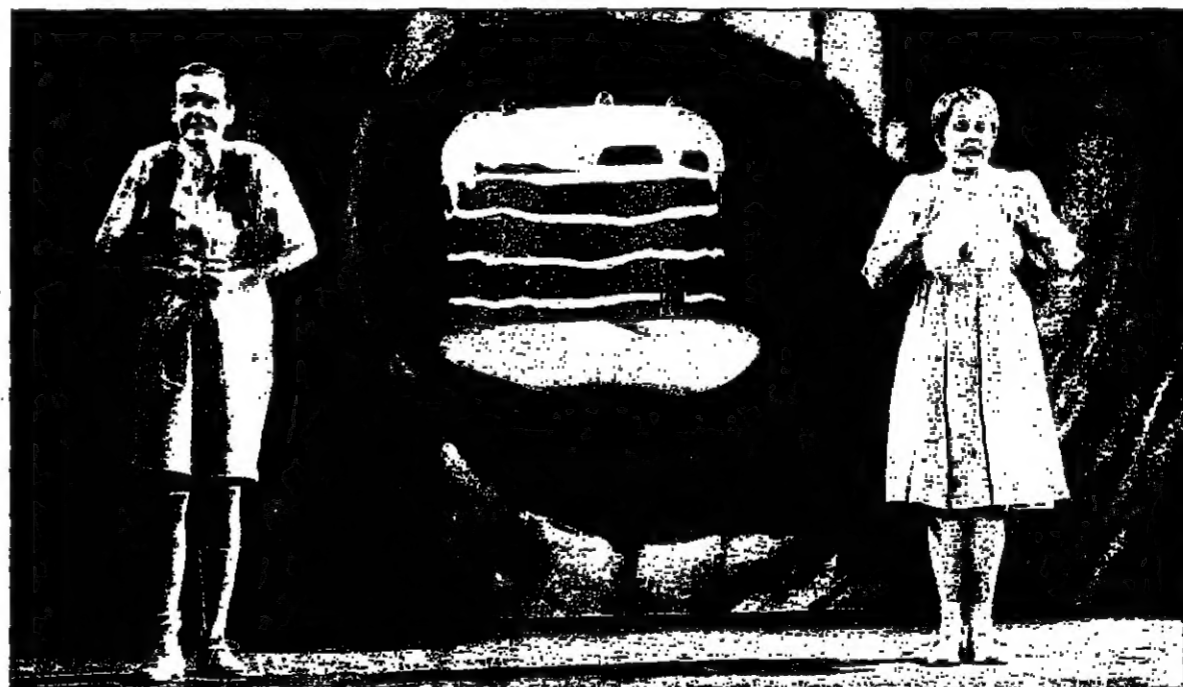
faces. WNO is not the first company to have looked below the surface of the Grimm brothers' tale. The much-loved English National Opera production, revived earlier this year, tries its hand at Freudian analysis; and the Théâtre du Châtelet in Paris set the story against a Victorian industrial background. True to form, Richard Jones, WNO's producer, has come up with a very alternative scenario – a dark parable about the poor and hungry that gnaws at the stomach.

In this version, Hansel and Gretel live in a bare 1930s cottage, where the lack of food for supper is no joke. Their nightmare vision becomes a desolate hall with an empty dining-table. Then, as they dream of salvation, the 14 angels come in the form of winged chefs, who proceed to lay the table for a

veritable banquet, while a large trout, the head waiter, serves the two children as honoured guests.

By the time they reach the Witch's gingerbread house the parable has turned Grimm indeed. All the budget has been lavished by the designer, John Macfarlane, on a stunning, stainless-steel kitchen, where the Witch embarks on a cooking spree of epic proportions. When the tables are turned, she herself is taken out of the oven and served up for tea – a grisly cannibalistic ending.

Nigel Robson enjoys himself hugely playing the Witch as an nice old auntie in a corset, but engaging a tenor to sing the role as a pantomime dame is never the best answer. Imelda Drumm and Linda Kitchen are well-matched vocally as Hansel and Gretel (a shame their lullaby duet was a



A parable turned Grimm indeed: Imelda Drumm and Linda Kitchen in the title roles

touch too slow). Mary Lloyd-Davies and Robert Poulton gave vivid portrayals as their hard-pressed Mum and Dad. Mary-Louise Aitken doubled nicely as the Sandman and the Dew Fairy.

Add to this Vladimir Jurovski's sympathetic conducting and some excellent playing from the WNO orchestra (bravo horns, who launched the overture without a glitch), and WNO

had another success on its hands. Londoners will be able to judge for themselves when the company brings *Hansel and Gretel* to Sadler's Wells Theatre in the spring.

At the moment Sadler's Wells is playing host to the truncated touring season of the Royal Opera. Last week the second cast for Smetana's *The Bartered Bride* took

the stage. There are not as many star names as in the first cast, but they make a worthwhile alternative: Zvetlana Vassileva's Marenka, sung with a cutting Slavic edge, was well paired with Christopher Ventris's sturdy Jenik. Kristinn Sigurdsson made an entertaining Kecal, more avuncular than usual. Timothy Robinson did what he could with the embarrassing characterisation forced upon poor stuttering Vasek. The double set of parents, the circus troupe, the acrobats, all worked their socks off.

It was not their fault the show was so depressing. It needs faster speeds from Bernard Haitink to give it a lift, but even then Francesco Zambello's horribly insincere production, plagued by feverishly energetic extras with Come-Dancing smiles, would make one's stomach sink. To think what an uplifting evening brave little Opera Leeds made of the piece in Leeds earlier in the season...

*'Hansel and Gretel' sponsored by Amos (UK). The Bartered Bride sponsored by The Friends of Covent Garden.*

## INTERNATIONAL Arts Guide

### AMSTERDAM

**OPERA**  
Netherlands Opera, Het Muziektheater  
Tel: 31-20-551 8911  
The Queen of Spades: by Tchaikovsky. Conducted by Semyon Bychkov in a new staging by Lev Dodin; Dec 29

### EDINBURGH

**EXHIBITIONS**  
National Gallery of Scotland  
Tel: 44-131-624 6200  
Turner Watercolours: shown every January for 90 years, this magnificent selection of 38 watercolours was bequeathed by Victorian collector Henry Vaughan in 1900; from Jan 1 to Jan 31

### FRANKFURT

**EXHIBITIONS**  
Schirn Kunsthalle  
Tel: 49-69-299 8820  
Alberto Giacometti: retrospective of work by the Swiss sculptor and painter. Also featuring prints and drawings, the exhibition

charts Giacometti's artistic output from his early years in 1920s Paris to his death in 1966; to Jan 3

**OPERA**  
Oper Frankfurt  
Tel: 49-69-21237 999  
www.operfrankfurt.de/oper  
Rigoletto: by Verdi. Conducted by Olaf Henzold and staged by Kurt Horst; Dec 30

### LONDON

**EXHIBITION**  
Royal Academy of Arts  
Tel: 44-171-300 8000  
Picasso: Sculptor and Painter in Clay. This first major exhibition of Picasso's ceramics will include around 100 pieces, many of which have never before been exhibited; to Jan 1

### THEATRE

Albany Theatre  
Tel: 44-171-876 1115  
Mr. Puntilla and his men Matti: Kathryn Hunter's production of Brecht's satirical comedy moves to the West End. Comic duo Sean Foley and Hamish McCall play the title roles; Dec 29, 30, 31; Jan 1, 2, 4, 5, 6, 7, 8

### MILAN

**OPERA**  
La Scala  
Tel: 39-02-88791  
Götterdämmerung: by Wagner. New staging directed and designed by Yannis Kokkos, and conducted by Riccardo Muti. Jane Eaglen is Brünnhilde;

Dec 29

### MUNICH

**CONCERTS**  
Philharmonie Gasteig  
Tel: 49-89-5481 8181  
Munich Philharmonic Orchestra: conducted by Milan Horvat in Beethoven's Symphony No. 9; Dec 30, 31

### DANCE

Philharmonie Gasteig  
Tel: 49-89-5481 8181  
St. Petersburg State Ballet: in Nikita A. Dolgushin's staging of The Nutcracker; Carl-Orff-Saal; Dec 29  
St. Petersburg State Ballet: in a new staging of Don Quixote by Nikita A. Dolgushin; Carl-Orff-Saal; Dec 30

### NEW YORK

**CONCERT**  
Avery Fisher Hall, Lincoln Center  
Tel: 1-212-875 5030  
www.lincolncenter.org  
New York Philharmonic: conducted by Kurt Masur in a New Year's Eve Gala, with a programme including works by the three Strauss. With sopranos Deborah Voigt and Naomi Nadelman, and mezzo-soprano Angelika Kirchschlager; Dec 31

**EXHIBITIONS**  
Metropolitan Museum of Art  
Tel: 1-212-879 5500  
www.metmuseum.org  
From Van Eyck to Bruegel: Early Netherlandish Paintings.

Almost 100 paintings from the collection, exhibited together for the first time; to Jan 3

● Louis Comfort Tiffany: celebrating the 150th anniversary of the artist's birth, this exhibition, drawn from the museum's collection, includes leaded-glass windows and lamps, vases, furniture, enamels and jewellery; to Jan 1

Pierpont Morgan Library  
Master Drawings from The State Hermitage Museum; St. Petersburg, and The Pushkin State Museum of Fine Arts, Moscow. 120 European drawings dating from the 15th to the 20th centuries, some of which have never before been exhibited outside Russia. Includes works by Rembrandt and Dürer, with particular emphasis on the modernists Matisse and Picasso; to Jan 8

**OPERA**  
Metropolitan Opera, Lincoln Center  
Tel: 1-212-362 6000  
www.metopera.org  
Die Fledermaus: by J. Strauss. Revival conducted by Patrick Summers. Cast includes Carol Vaness, Jochen Kowalski and Bo Skovhus; Dec 31; Jan 2, 6

### OTTAWA

**EXHIBITIONS**  
National Gallery of Canada  
Tel: 1-613-990 1985  
Songs on Stone: James McNeill Whistler and the Art of Lithography. Previously seen in Chicago, around 200 works by

the American expatriate, including drawings, etchings and paintings; to Jan 3

### PARIS

**EXHIBITIONS**  
Musée d'Orsay  
Tel: 33-1-4049 4814  
www.Musee-Orsay.fr  
● Millet/Van Gogh: display of 85 works brought together to demonstrate the influence of Millet on the work of Van Gogh. These include paintings, drawings and pastels by both artists, many of them on loan from the Van Gogh Museum in Amsterdam; to Jan 3  
● Stéphane Mallarmé (1842-1898): retrospective exploring the work of the French Symbolist poet, and his influential relationships with his literary and artistic contemporaries; to Jan 3

Musée du Louvre  
Tel: 33-1-4020 5151  
www.louvre.fr  
Portraits from Roman Egypt: touring exhibition of mummy portraits, originated at the British Museum. Painted on wooden panels, linen shrouds and plaster masks, they were created during the first three centuries of Roman rule in Egypt; to Jan 4

### SAN FRANCISCO

**CONCERTS**  
Davies Symphony Hall  
Tel: 1-415-864 6000  
www.sfsymphony.org  
San Francisco Symphony Orchestra: conducted by Peter

Guth in a Viennese gala concert, with soprano Izabela Labuda; Dec 30, 31

### VIENNA

**CONCERTS**  
Musikverein  
Tel: 43-1-5058 6810  
Vienna Philharmonic Orchestra: conducted by Lorin Maazel in a New Year's Day concert which marks two historic anniversaries: the 150th of the death of Johann Strauss the elder, and the 100th of the death of Johann Strauss the younger; Jan 1

### OPERA

Staatsoper  
Tel: 43-1-51444 2980  
Ernani: by Verdi. Conducted by Seiji Ozawa in a new staging by Graham Vick; Dec 30; Jan 3

### WASHINGTON

**EXHIBITION**  
Phillips Collection  
Tel: 1-202-387 2151  
Impressionists in Winter: Effets de Neige. Inspired by Sisley's Snow at Louveciennes, this display includes 62 works from 44 collections. Artists represented include Monet and Renoir; to Jan 3

### OPERA

Washington Opera, Kennedy Center  
Tel: 1-202-295 2400  
www.dc-opera.org  
Die Entführung aus dem Serail: by Mozart. L.A. Opera production by Michael Hampel, conducted here by Heinz Fricke with a cast

including Mary Dunleavy; Eisenhower Theater; Dec 29, 31; Jan 3, 7

### ZURICH

**EXHIBITION**  
Kunsthaus Zurich  
Tel: 41-1-251 6765  
Max Beckmann and Paris: more than 100 masterpieces of modern art from public and private collections around the world. Works by Beckmann are shown alongside paintings by Matisse, Picasso, Braque, Léger and Rouault; to Jan 3

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At 08.20 Tanya Beckett of FTV reports live from LUFFE as the London market opens.

## COMMENT &amp; ANALYSIS

# Not much solidarity left

Poland is in the throes of a struggle between the state, the church and the market, says John Lloyd

Jack Merkel draws a triangle to represent the political forces in Poland. He was Lech Waleś's chief of staff when the latter was Polish president but he broke with him, as nearly all close to Mr Waleś have done.

At one point of the triangle are the post-Communists, in opposition in parliament but with their leader, Alexander Kwasniewski, in the presidential palace. They, says Mr Merkel, believe in the state, but not in the church or the market. At the second point is the Freedom Union - liberal conservatives who do not believe in the state, or in the church, but believe in the market. The third is occupied by the Solidarity Platform, which dominates the government in coalition with the Freedom Union. It believes in both state and church, but not in the market.

This is, of course, a highly schematised triptych. All three of the main Polish forces "believe" in the market, the state and the church. What Mr Merkel means is that their instincts draw them to, or repel them from, institutions that all exist in impressive form 10 years after Poland's liberation from Communism. Polish politics oscillates between the attraction and repulsion between and from these three centres of force. Mr Merkel believes the new Polish state can ingrain democracy and independence only by resolving the clash of these three elements over time and in peace.

His scheme of things draws the observer, inevitably, to that much more renowned triptych outside the gates of what was until the beginning of this decade the Lenin Shipyard, in the Baltic city of Gdansk. It is of three huge concrete crosses, monuments to martyrs of the workers' uprisings in 1970. On the wall behind the crosses is the most famous quotation from the address Pope John Paul II gave during his first papal visit to his native country, in 1979. He prayed: "May your spirit come down and renew the face of the earth, this earth."

My italics are there to emphasise what is always emphasised by Polish readers of these words - that it is this earth, Polish earth, that was to be renewed by the spirit of Solidarity, the

revolt of Poland's workers and intellectuals against communist rule.

On December 16, the martyrs of 1970 are remembered. A procession, mainly of workers, winds out of the yard gates, lays wreaths and forms a group, no more than 6,000 strong, round the crosses. Henryk Jankowski, priest of St Brigitta's, which is known as the Solidarity church for its proximity to the yard and Mr Waleś's favouring of it and the priest, makes a dedication. A past chairman of the Solidarity Union in the yard speaks, followed by the present leader of the union in the Gdansk region. The procession winds back into the yard.

It is a solemn tableau; but a spoiled one, too. It is small, and there is no government presence. Father Jankowski is no longer a figure of reverence; his private life features regularly in the gossip columns. Jan Kuziatycki, the former Solidarity chairman, gives a bitter speech, talking of the betrayal of Solidarity because the yard is being sold, blaming Jerzy Buzek, the prime minister, for the betrayal. Janusz Szlask, the regional leader of Solidarity union, is forced to be defensive and is bitterly so. "We should not use innocent blood to make politics... sometimes I think we

era. Gdansk has been in every sense junior to Gdansk - smaller, without a historic centre, its yard smaller, its traditions less militant. And now it has taken over. Mr Szlask made an offer for the Gdansk yard early in December, and the receiver - Gdansk shipyard is bankrupt - accepted it.

A look around the Gdansk yard tells you why. It is working flat out, its two vast dry docks full of ships or parts of ships, two completed vessels in the harbour. In every one of the great sheds the huge metal sheets are being cut, trimmed and bent; the giant cranes rumble down their tracks, hoisting warnings as they manoeuvre tonnes of steel into place. All

the same view is shared by Bogdan Lis, among the closest of Mr Waleś's comrades in the early struggles, who has left Solidarity and

forget about our 50 years of imprisonment!"

Behind the speakers is a man in a dark coat attended by a young assistant; he listens quietly to the speeches, head down, then hurries off into the yard after they are done. This is Janusz Szlask, who has been the object of Mr Kuziatycki's wrath. He runs the neighbouring shipyard of Gdynia. A new town built up during the interwar

are container ships for German clients; the yard had a \$400m turnover last year and made \$30m profit, up on \$15m last year. Profits are rare in world shipbuilding. It gets, says Mr Szlask, no subsidies - not from government, from the European Union, from anyone. He wants the Gdansk yard to make oil platforms; but more urgently, he wants it for its land.

"We think," he says, "that we can cover our investment [the purchase of Gdansk] with land sales - once we know what the city authorities will do. We want to build up a new centre, like London's Docklands - the value of the land is important to us."

On Solidarity, he reminisces that he was a student in 1980 when the shipyard rose in revolt, coming back from doing "black" labour abroad to earn money. "It meant a lot to me..." But he adds: "Gdansk and Gdynia coming together will be important for Poland's history, too. The Gdansk yard is very important for our culture but it cannot become a graveyard. We must remember that the Solidarity movement was to give Poland independence, to allow it to make its own decisions."

This view - that the past must have its place and its place in the past - is quite common in Poland. It is shared by Krzysztof Pus, deputy mayor of Gdansk, another former aide to Mr Waleś and Solidarity activist. "I am conscious of what we owe to those years but I am not sentimental about it. The yard was reduced to that state by bad management and blocks to progress from the unions, and it should either have been sold or closed. Political symbols must also be living, not only dead."

The same view is shared by Bogdan Lis, among the closest of Mr Waleś's comrades in the early struggles, who has left Solidarity and

is regional organiser for the Freedom Union. He says: "Solidarity should now confine itself to its trade union function, and enter politics only on issues of workers' rights. Its past will not die; but it will if it does not move on. It must rethink its position on politics, as the unions and the Labour party in Britain have done."

The view even comes from Franciszek Cegielski, who has been Solidarity mayor of Gdynia for two four-year terms, is also a national MP and is married to a trade unionist jailed for his activities in the eighties. Yet Mr Cegielski, during her rule, broke strikes, split up corporations to weaken the unions and did all she could to encourage entrepreneurialism. "The leaders of Solidarity were schizoid about their politics; they represented the workers, but became rulers of the state. That hasn't been resolved yet," she says.

It was not and will not be resolved by Mr Waleś, in some ways the defining figure of the central European liberation. After a surly spell as president, given up with enormous ill grace to Mr Kwasniewski, the former Communist minister, he has brooded in his mansion in Gdansk - now emerging to form his own political party.

"He will run again for the presidency, I know it," says Mr Pus, "and he will lose. He was unwise, did a great deal - then wasted it." "He was a great man," says Mr Cegielski. "He had courage when we needed it to carry on the struggle, and very few people have that." Says Mr Lis: "Waleś had to be president of Poland but he made many mistakes in office. People who had been with him deserted him."

The themes of desertion and betrayal mingle with those of renewal and reinvention. Ten years after, Solidarity both still rules and no longer dominates. It fulfilled its mission; to liberate church, market and democracy from the state, and now must both live and die in the endless warring between them.

This is the second in a series on the changes in former Soviet Bloc countries in the 10 years since the fall of Communism. The first article, on Hungary, appeared yesterday.

## LETTERS TO THE EDITOR

### Middle East policy weakens UN

From Mr Colin Rowat.

Sir, The Clinton/Blair new policy of "containment" of Iraq is a youthful 19 years old. Since the western-backed shah of Iran was ousted in a popular backlash against his rule, Washington's policy towards two of its former "three pillars" in the Middle East, Iran and Iraq, has alternated between "balance of power" and "dual containment". The former seeks to play the two off against each other to their mutual disadvantage (hence Henry Kissinger's "it's too bad they can't both lose" about the Iran-Iraq war), the latter to deal with neither, isolating both.

For at least the past two years Raymond Tanter (a member of the Council on Foreign Relations and its

Economic Sanctions Task Force) has taught that the "Clinton doctrine" is one of dual containment. This he believes to be more ideologically than pragmatically grounded and less flexible: it prevents the use of Tehran to control Baghdad and gives Saudi Arabia (the only one of the original pillars to remain kneeling) two enemies. Further, isolating two neighbouring countries has brought them together.

Scott Ritter, the former chief weapons inspector of Uncom, the United Nations special commission, learned the Clinton doctrine the hard way. He sought to carry out "challenge inspections". Earlier this year Washington, preferring already to contain Iraq than to actively disarm it, pre-

vented these. Mr Ritter resigned in the face of this American obstruction.

If a 19-year-old policy is new, may I propose an even newer one? The UN was established 53 years ago to address situations involving sovereign states which are mutually antagonistic and distrustful of each other. I do not pretend that the UN is perfect or all-wise. Indeed, it is the worst form of conflict resolution except all those other forms that have been tried. But it worsens when it is deliberately weakened by those nations which see themselves as this world's most enlightened.

Colin Rowat, Faculty of economics and politics, Cambridge CB3 9DD, UK

### Mandelson's high-tech finance contribution

From Mr Nicky Samengo-Turner.

Sir, I would like to think that I speak for all of us working in the UK's hot-house of high-tech venture capital financing, in congratulating Peter Mandelson, the former trade and industry secretary, on the initiative shown in his white paper.

There is an ever-increasing number of investment institutions in this country willing to commit capital to early-stage technology investments. I put this down to a generation

now attaining senior positions within asset management groups who have been brought up with the computer. There is still some way to go in persuading retail investors that there are exciting opportunities and returns available in our sector, and thus there is a shortage of suitable investment vehicles.

The real issue is the lack of availability of an exit for early-stage private equity investors. We are some way from having a Nasdaq in the UK and Europe. The chances

are that Easdaq will come closest but not until our larger investment institutions persuade themselves that our grandchildren will be looking for something a little more modern, exciting and technical in their Forties. Dax, Cac and Mibels than insurance companies, banks, food retailers and oil companies!

Nicky Samengo-Turner, director, Q3 Corporate Finance, Vision Park, Cambridge CB4 2ZY, UK

### A world of difference in crime and punishment

From Mr Edmund C. Tiryakian.

Sir, One cannot but marvel at the juxtaposition of headline stories from your December 28 edition with its subtle message on the proportionality of crime and punishment in different parts of the world. On the one hand, we learn

that the US president is likely to face a trial in the Senate to remove him from office for his adulterous dalliance as a necessary preface to a bicameral censure resolution, while on the other hand, we learn that two of the ultimate Khmer Rouge engineers of Cambodia's killing fields may completely

avoid trial as part of an amnesty deal. Perhaps the good legislators of Cambodia can follow the ingenuity of the US Congress to at least censure these two men for their bloody misdeeds!

Edmund C. Tiryakian, 38 Tai Tam Road, Hong Kong

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers worldwide. Letters may be faxed to +44 171-573 5535 (not fax to 'line'), e-mail: letters@ft.com. Published letters are also available on the FT web site, <http://www.ft.com>. Translation may be available for letters written in the main international languages. Fax +44 171-573 5535. Letters should be typed and not hand written.

## In our first seven years we unilaterally disarmed the fourth largest nuclear arsenal on earth.



This month, the Republic of Kazakhstan proudly celebrates our seventh anniversary and our achievements as an independent nation. After the break-up of the Soviet Union in 1991, Kazakhstan inherited the fourth largest nuclear arsenal in the world and the world's largest nuclear test site. Even as other countries have aspired to join the world's exclusive nuclear club, we opted for disarmament.

- We were the first nation on earth to unilaterally and unconditionally disarm our nuclear weaponry.
- We were the first former Soviet state to sign the Nuclear Non-Proliferation Treaty and the Comprehensive Test Ban Treaty.
- Following the closing of the massive nuclear test site at Semipalatinsk, we are working to repair the extensive health and environmental damage to the area wrought by 450 nuclear explosions.

- To keep nuclear arms out of the hands of terrorists and rogue states, we passed comprehensive legislation on non-proliferation export controls and established a strict security regime, conforming to the safeguards of the International Atomic Energy Association.

We have served as a model for the region and the world in nuclear non-proliferation and rigorous nuclear controls. This has been central to our foreign policy of co-operation and peaceful coexistence with our neighbors.

Kazakhstan

Seven Years of Achievement

Sponsored by Kazakhstan 2030  
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## Set to keep rollin' along

Smart moves by the Fed should allow the US economy to keep growing in 1999, but it is at some risk from a fall in share prices and consumer spending, says Alan Blinder

**1999** Like ol' man river, the giant US economy just keeps rollin' along. Nineteen Ninety-Nine just keeps rollin' along. Year-on-year growth was nearly 4 per cent in the third quarter of this year, and seems likely to top 3 per cent again in the fourth. The average growth rate over the past eight quarters is nearly 4 per cent. Net job creation has been averaging about 250,000 per month for the past two months - for the first time since the 1930s.

That certainly shocked the forecasters. The leading explanation, of course, is the soaring stock market. And if that is the reason, we have completed the circle of irrational exuberance: apparently unending growth feeds soaring stock prices which boost consumer demand which produces the extraordinary growth.

There is a crude measure of the size of the demand shock. If today's personal saving rate were 3 per cent (its paltry 1996 average) rather than approximately zero, consumer spending would now be about \$160bn lower than it is. That is roughly the gross domestic product of Denmark. More germane, it would have trimmed more than a percentage point from the average growth rate of the past two years.

So a collection of favourable supply shocks and a large positive demand shock spurred growth while the supply shocks (plus a change in the measurement system) kept inflation at bay. Meanwhile, the Fed was sensible enough to let the party progress without withdrawing the punch bowl - a good thing too, since the punch turned out not to be spiked. As we look forward to 1999, then, there are three questions. Will the pleasant supply shocks continue? Will consumer spending keep growing faster than income? Will the Fed continue to support or allow growth?

Mindful of the warning that one should never predict the future, here are my answers, or rather, guesses. The supply shocks will continue, but only in part. Energy prices are still falling, as are computer prices. And measurement changes will take about another one-quarter point off inflation in 1999. But medical-cost inflation has resumed; and the dollar has stopped rising. The main demand shock, I believe, cannot continue unabated. Over the past eight quarters, the personal saving rate has fallen from about 3 per cent to below zero. If this continues for another year, Americans will be spending nearly 102 per cent of their disposable income. While not impossible, that strikes me as highly implausible. Remember, hundreds of billions of dollars in private pensions savings are included in personal saving, which is nonetheless in negative territory.

Nor do I expect the exceptional stock market gains of 1996-1998 to be matched in 1999. (But then, I did not think 1998 would be this good either.)

That brings us to monetary policy, where I see no reason to expect a sudden change of heart. The Fed has been growth-oriented throughout Mr Greenspan's tenure and seems likely to remain so. Indeed, the world has recently witnessed a quick 75 basis point cut in the Fed's overnight interest rate at a time when the US unemployment rate was near a generational low and the dollar was falling. Can you imagine any European central bank doing that? Trust the Fed to remain smart.

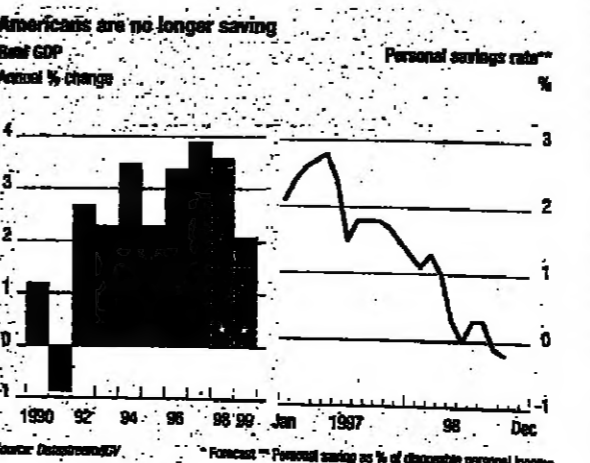
Putting all this together, my best guess is therefore that real GDP growth will be about 2 per cent in 1999, with CPI inflation slightly below 3 per cent. That is not a match for 1998's splendid numbers, but it will certainly do - especially for an economy beginning the year with 4.4 per cent unemployment.

Least this sound like yet another instance of smug American triumphalism, I close by ticking off some downside risks. The stock market could tumble, taking some consumer spending down with it (a major worry). Americans could finally decide that zero or negative saving is a bit imprudent and become thrifter (a minor worry). Recession and slow growth in the rest of the world could damage US exports even more than the consensus forecast currently assumes (another real worry, especially if Latin America goes into deep recession).

It is harder to think of comparably important upside risks, other than the indisputable fact that domestic demand in the US has consistently outstripped expectations. But that, of course, is why ol' man river has kept rollin' along this long.

The author is a professor of economics at Princeton University and vice-chairman of the G7 Group. He was formerly vice-chairman of the board of governors of the Federal Reserve System.

This is the second in a series of forecasts on leading economies for 1999. The forecast for the UK appeared yesterday.



A time for toughness

## FINANCIAL TIMES

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Tuesday December 29 1998

## Europe's arms industry

Britain's General Electric Company has recently highlighted an important fact about the rationalisation of Europe's defence and aerospace industries. Whatever the outcome, it must be in the best interests of shareholders. It seems obvious, but is too easily forgotten in the debate about the political forces that overshadow the industry.

That the industry needs rationalisation is beyond dispute. There are more aircraft and tank-makers than can be justified by Europe's shrinking defence procurement budgets. Research spending is wastefully duplicated. And although European defence spending is about 60 per cent of that of the US, it packs a much smaller punch.

One way to overcome this is to create transnational companies to reduce costs and provide the focus for spending on technology. But such companies need to have strong links with the US because of the size and technological sophistication of its defence market. Equally, the current European players are too small to be global competitors and risk being picked off - or beaten in the race for orders - by US rivals.

Lumping Europe's defence companies together and hoping for the best is not the answer. Resulting groups must be financially sound, well-managed, and focused on shareholders and customers. The problem is that the customers - and in some cases, the shareholders - are governments which must satisfy domestic lobbies. For this reason companies such as British Aerospace have argued that future groups must appear British in Britain, German in Germany and French in France to ensure a continued flow of orders. But this need must not be allowed to dominate their creation.

## A time for toughness

This is where GEC comes in. By expanding over the past year in both the US and Europe, it has positioned itself to grow further. Its announcement before Christmas of a separation of civil and defence interests suggests that even an expanded defence arm might be spun off. Or GEC could

be an outright seller, perhaps to BAA, which wants to expand its electronics interests and become a more vertically integrated defence company. GEC has to pay close attention to the wishes of its biggest customers - the UK and US governments - but its message is that, whichever path it chooses, the price has to be right.

Meanwhile, BAA stands on the brink of a merger with DaimlerChrysler Aerospace of Germany, constructed with politics very much in mind. BAA and Dasa believe a merger would help to produce critical mass as well as provide substantial savings, for example in producing the Eurofighter. But negotiations are overshadowed by Bonn's insistence on DaimlerChrysler's having a financial stake in the merged company that may appear disproportionately high. Bonn is understandably anxious that Germany's aerospace industry should not be swallowed whole by a BAA/GEC combine. But BAA needs to create a sound financial base for the future.

Deals between BAA and GEC or DaimlerChrysler can only be seen on the way. Europe will not have an integrated defence industry unless it finds a means of including France, which has gone a remarkably long way in accepting private sector ownership. The pace remains a problem but Paris has made clear it is prepared to reduce its holdings to negligible levels. Even so, mutual distrust between Washington and Paris on security issues remains a big obstacle to building European companies with strong US links.

For the companies, the sensible route is to plan a deal at a time. The first important decision seems to be with BAA, which as a partner in the Airbus consortium is keenly aware of the prize to be won through consolidation. On its judgment between a trans-European move and intra-UK integration, or some combination of both, rests the foundation of the European industry of the future.

## Brink of merger

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Few sectors are as blighted by overcapacity as cars. When Daimler-Benz announced its takeover of Chrysler in May, many predicted a wave of deals would follow.

For a brief moment last week, it looked as though it might all start to happen. Volvo's share price shot up as investors latched on to rumours of talks with Ford. On closer analysis, the idea seemed far-fetched, and Volvo's stock has since slipped back.

The rumours were lent substance because the motor industry needs to cut capacity and raise paper-thin margins. There have been a few limited moves in this direction. Minnows like Lamborghini and Rolls-Royce Motor Cars have been swallowed up. General Motors, the world's biggest carmaker, has forged closer ties with Suzuki, two long-associated Japanese manufacturers. South Korea's overblown and indebted motor industry has been rationalised in the face of collapsing sales and government pressure. But the widely forecast mega-mergers have failed to materialise.

Why have carmakers not responded like other global industries, such as oil, telecommunications, pharmaceuticals and banking, to overcapacity and rising costs? And when, if at all, will volume manufacturers such as Ford, Toyota and Volkswagen feel obliged to act?

The world's car and truck-makers will build about 57m vehicles this year. That is only about two-thirds of their capacity. With many more factories coming on stream from the rush to globalise in the 1990s, the glut of unsold vehicles and underused plants will worsen unless sales rise sharply.

The problem for most car companies is that, unlike Daimler and Chrysler, they normally have huge overlaps with potential partners, making any combination troublesome. Says Keith Hayes, industry analyst at Goldman Sachs in London:

"A merger of, say, Renault and Peugeot-Citroën, would eliminate capacity and cut costs. But it would also trigger massive redundancies. With unions and governments acutely aware of the car industry's role as a generator of jobs, no one has dared to moot a merger of similar, mainstream manufacturers, such as the French pair, whatever the financial benefits."

The chances of a big European merger seem even less likely given the emphasis that the left-leaning governments in the UK, France and Germany are putting on jobs. "We remain unconvinced that 1999 will be a year when the European industry bites the bullet," says Mr Hayes. "The changing political alignment has put employment generation at the top of the agenda and justifying combinations involving job losses in the name of shareholder value is probably unacceptable."

So carmakers in Europe, the US and even Japan - where overcapacity has worsened because of sliding domestic sales - have deferred piecemeal measures to structural change. Recent job cuts at Rover in the UK, Ford in Belgium and Japanese car companies such as Nissan and Mitsubishi have been based largely on natural wastage. In the US this summer's crippling strike at GM has made the industry particularly sensitive to heavy redundancies.

Too much pandering

The real risks lie in pandering to the businessmen too much, not too little. As the halt in government land sales suggests, there is a danger of government bowing to special pleading from business. That is the way to cronyism, with all the resulting flaws that contributed to neighbouring Asian countries' financial and economic collapses.

Equally dangerous would be the frustration of democratic aspirations. Last May's legislative elections, in which pro-democracy parties won a majority of votes (although they still ended up with a minority of seats), was the latest evidence of Hong Kong residents' democratic demands. Backsliding on an already tepid commitment to full democracy, with 2007 the earliest date for a decision on a directly elected legislature, might prove a social tension.

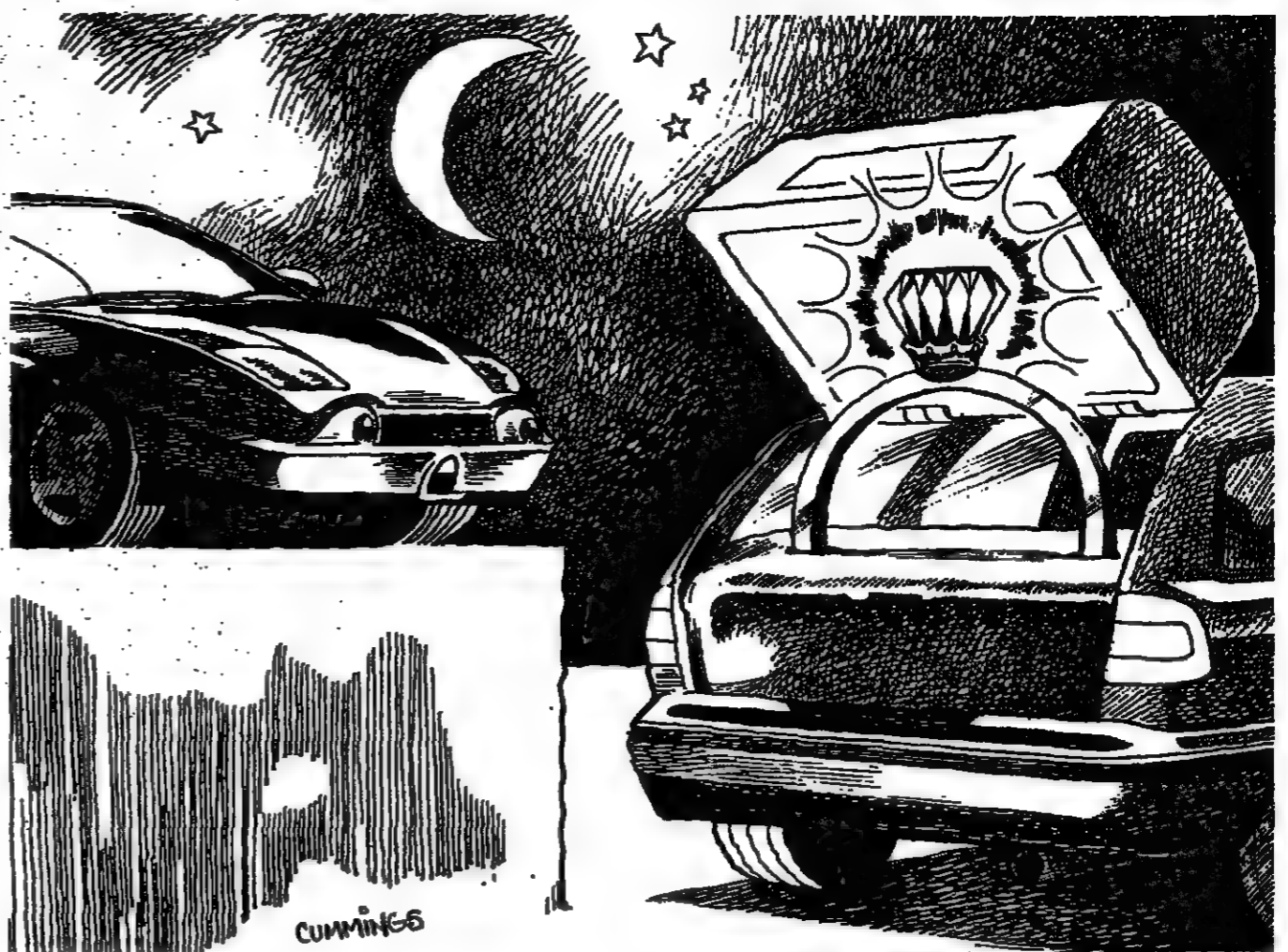
Failure to proceed with democratic reforms also threatens economic prospects. Restoring the lost competitiveness beset by Mr Li and his fellow tycoons requires creativity. A condition for that is freedom of expression and an energetic entrepreneurial class. Turning the clock back is not a strategy for economic recovery or political stability.

In charting this strategy, Mr Tung must show much greater resolve and greater understanding of grassroots opinion than he has done so far. Selected by a committee dominated by big business interests, he has failed to provide a clear vision for Hong Kong and has shown little enthusiasm for democratic reforms.

Big business remains an important interest group. But if Mr Tung panders to its demands, the business environment that worries Mr Li will get worse for all. Mr Tung should work to free market principles.

## Brides shy of the altar

The motor industry is unlikely to see mega-mergers because of social and political resistance, but smaller companies such as BMW and Volvo could be for sale, says Haig Simonian



Such caution has been supported by governments. In many countries, state authorities continue to offer handouts for new plants. And in Europe, where overcapacity is endemic, governments regularly stump up cash to preserve jobs at old ones.

Such support has combined with the superficial health of some markets to fill many carmakers into a false sense of security. While sales in Asia and South America have slumped, the US and Europe, the world's two biggest car markets, have remained strong.

US sales of new cars and light trucks should exceed 15m units this year - the fifth year at or near record levels. New car sales in Europe rose by nearly 7 per cent in the first 11 months of this year. Most analysts expect both regions to remain buoyant.

But strong demand has not been translated into big profits. The squeeze on profits has grown acute as new brands, notably from low-cost Asian manufacturers, have entered the market. With earnings under pressure, many executives think further consolidation is inevitable. Alex Trotman, Ford's outgoing chairman, says it is "quite likely" at least one European carmaker could be forced into a merger or be taken over next year.

The takeover candidates aren't aware of their problems yet, says Ferdinand Piech, chairman of VW, Europe's biggest car company. He argues that the next downturn, which he forecasts for 2001, will expose the weakest manufacturers, most of which are in Europe.

Until then, the social and political barriers to mergers of near equals in the industry will mean the focus is shifted to deals between mainstream and smaller brands. Such matches, somewhat like DaimlerChrysler, could bring significant economies of scale without the backlash provoked

by a mega-merger. But with Daimler-Benz already betrothed, the number of brides has dwindled. Only Germany's Bayerische Motoren Werke and Sweden's Volvo fit the bill. Both are established, but hardly high volume, brands. BMW will sell about 700,000 cars this year (excluding its UK Rover subsidiary) - less than one-seventh of VW's total. At Volvo, sales should reach almost 400,000 cars.

While both enjoy blue-chip images, neither is having an easy time. Both have been disadvantaged by the ability of volume manufacturers to wrest significant discounts from suppliers - whose components account for up to 60 per cent of the cost of a vehicle. Rising development, marketing and distribution costs have given the bigger manufacturers a further advantage - they can spread the load over higher volumes.

Volvo and BMW have used different approaches to make up for their handicaps. Volvo has shed non-core activities to release cash for cars. It has also diversified from boxy limousines to smaller and more stylish models. BMW has been more ambitious. In 1994, it spent \$200m on Rover, a run-down carmaker owned by British Aerospace, to gain economies of scale.

Both strategies have, however, had mixed results. Volvo's heavy investments have not yet been reflected in profitability. Earnings have slipped in the past two years, leaving analysts unconvinced about the group's long-term ability to generate the cash needed for new products.

And while expanding the range has boosted sales, Left Johansson, group chairman, last month announced 5,300 jobs cuts - mainly in cars - in recognition of the Swedish group's relatively high production costs compared with bigger, more efficient rivals. At BMW, attention has focused

on Rover. The German group has committed itself to spending \$500m-\$600m a year to bolster inadequate former investment and introduce more desirable cars. But rather than declining, Rover's losses will soar to at least \$150m (\$177.90m) this year because of the strong pound and collapsing UK market share. This makes Rover's forecast return to profitability by 2000 fanciful.

Unusual ownership structures have made Volvo's and BMW's independence look even more tenuous. Unlike most carmakers, which have a controlling shareholder or group of investors, Volvo's shares are widely held, making it vulnerable to a hostile bid. Although such deals are virtually unknown in Sweden's consensual business culture, John Lawson, motor industry analyst at Salomon Smith Barney in London, believes they cannot be ruled out. Mr Johansson admits any offer would have to be examined in the interests of shareholders.

BMW, by contrast, has an unusually concentrated capital base. Almost 46 per cent of its shares are owned by the Quandt family - heirs of the entrepreneur who revived the group after the second world war.

In recent months, speculation has risen that part of the stake may be for sale. The rumours have been stoked by Mr Piech and other predators. Such talk has prodded BMW and the pressy Quandts to issue denials. But the fact that BMW's fate is in so few hands has left a question about its future.

Such uncertainties have triggered speculation as to which companies would be the best groom for the Swedish and German brides. Either would complement most mainstream manufacturers: both specialise in larger saloons and are strongest in northern Europe, the US and Asia, making them particularly appealing to the French or Italy's

Fiat, weak in all three areas. Neither Volvo nor BMW would be a clean fit. BMW is complicated by Rover. Anyone buying Volvo would want to dispose of its big commercial vehicles side, as well as smaller activities in construction equipment, marine engines and aerospace.

Precisely that spread explains why last week's reports of talks with Ford were received cautiously by analysts. Rumours of a takeover soon gave way to the possibility of more limited moves, such as a joint venture allowing Volvo to meet its ambitions of building cars in the US via a Ford plant.

But Volvo's breadth could appeal to one group. The company is talking to Fiat about unspecified co-operation, which could end in a merger.

Volvo's cars would complement Fiat's utilitarian small ones and its sporty Alfa Romeo brand. Iveco, Fiat's commercial vehicles side, and Volvo's trucks business would also fit well.

Even the geography works. Fiat's small cars are most popular in Italy and southern Europe, and inroads have also been made in eastern Europe and developing markets. Volvo's cars, by contrast, do best in northern Europe and the US - a market all but abandoned by the Italians.

BMW would be a more complex partner. It is significantly bigger than Volvo in cars, complicating integration. It is also compromised by Rover, which is still in an unresolved transition from a failing volume manufacturer to an aspiring premium brand.

That has not, however, hindered speculation about BMW's fate. While Volvo has made no attempt to disguise its readiness to talk, BMW's protestations of independence will start to look thin without a fast recovery in the UK. So the industry could yet see a marriage in the new year.

## Falling on to the dark side of life

Thailand's redundant car parts workers have had to rely on their wits in order to make ends meet, says Ted Bardacke

There are few sights more depressing than a shuttered factory, where the wind whistles around idle machinery and the only worker with job security is the driver of the boss's limousine.

But Surang Pattiyanon and Kalaya Suwanmalee, two Thai vehicle components workers who lost their jobs in June, saw something worse the day they went to pick up their severance cheques. The neighbourhood loan shark, worried, too, about the loss of a steady income, followed the 274 sacked workers to the bank and demanded that those indebted pay up on the spot.

Six months' compensation for 26 and 15 years respectively making oil pans, fuel tanks, silencers and seats for Nissan cars and Yamaha motorcycles at the Siam Parts and Engineering factory never looked so small.

"I feel like I've fallen on to the dark side of life. I have no kind in the countryside to save me. No cousins to help either," says Ms Kalaya, dismissing with a shake of her head the two most convenient options available to unemployed Thai workers: turning to a native village or extended family for support.

Officially, more than 1m Thais have been sacked since the country's economic crisis struck with a vengeance in July 1997. Among the worst-hit have been autoworkers: vehicle sales in the first

11 months of 1998 were down 64 per cent on the same period last year.

What little official social security safety net exists for the unemployed has proved so ineffective that the government even had to promise the International Monetary Fund that it would enact new measures to help the poor. Unions have little muscle: only 2.5 per cent of the country's 10m industrial workers are members.

Instead, the main self-defence mechanism is self-employment. Ms Surang started selling noodles on the street while Ms Kalaya stands watch in her sister's secondhand clothes shop, making at best B50 (85p) a day. During a get-together of former Siam Parts workers, one worker arrives selling grapefruit, another with pirated compact discs, and still another with lottery tickets. An ex-foreman brings fresh doughnuts from his new stall next to a motorway entrance.

At least there is no stigma attached to being unemployed. At the weekends, for example, there are sales of secondhand luxuries at an open-air "market of the formerly rich".

"I don't feel ashamed. I don't know what other people think about me but I don't think they care too much - it's so normal to be unemployed these days," says 40-year-old Ms Surang, who was 18 when she began working at Siam Parts.

There is a feeling of injustice and for the two women frustration is directed at the government.

"The government offers loans to unemployed people to start a small business but it requires a guarantor. That's impossible for me to find," complains Ms Kalaya, a single mother who once earned B110,500 a month, plus overtime. "The government should spend that money on preventing the factory from closing."

Jaroon Gatamungro, the doughnut-selling ex-foreman, listening to the conversation, chimes in. He blames the management for not keeping the factory competitive.

"It was my duty to increase productivity and reduce costs and I did it very well," says Mr Jaroon. "But even this couldn't stop the company from shutting down."

Yet even the perceived unfairness of the situation - that there is nothing the workers feel they could have done to keep their jobs - is overshadowed by worry. Not so much about where the next meal will come from but how to keep financing the children's education so that they do



Poverty trap: Kalaya and Surang (right) are frustrated with the government

not fall into the same trap as their mothers in the next boom and bust cycle.

"I will have so much regret if I can't keep that promise that my two girls will go to university. They are such good students," says Ms Surang, who says that even the minimum costs of B11,000 per term plus B50 a day in expense money for each girl are tough to cover these days.

Ms Kalaya, her eyes beginning to fill with tears, adds: "My son is preparing to be a doctor. We will find a way to eat but if he can't finish his studies, I'm afraid he is going to commit suicide."

"I want things to be different for him. After I lost my job I looked around a lot for a new one. But I'm 40 years old and I finished only four years of primary school. I applied to be a maid but even they said 'no one older than 35'."

"I want to work," Ms Kalaya says, explaining that a few years back Siam Parts offered a generous early retirement plan. "No one wanted it. I don't want it. I want to work."

This is the second in a series on victims of the Asian economic crisis.



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# FINANCIAL TIMES COMPANIES & MARKETS

TUESDAY DECEMBER 29 1998

THE LITCHFIELD GROUP  
OF COMPANIES  
NO to monetary union  
NO to VAT enlargements  
NO to European tax control  
NO to greater control by the Brussels  
bureaucrats

## INSIDE

**DaimlerChrysler lifts Dax**  
German equities clawed back above the 5,000 level on the Xetra Dax index as investors returned from the Christmas break in upbeat mood. Buyers stepped on DaimlerChrysler's accelerator after the motor giant forecast significantly higher earnings for 1999. Sales growth was put at 13 per cent and merger synergies were said to be having an increasingly important impact on trading. Page 28

**More Internet mania in US**  
The stock market value of Charles Schwab, the private-client broker that was a pioneer of online trading and investing, has risen by 70 per cent in the space of only eight trading sessions. The company is benefiting from the Internet mania gripping the US stock market, which is affecting companies whose fortunes appear most closely linked to the online world. Page 14

**Corporate funds flow into Lloyd's**  
A spate of deals at Lloyd's, the London insurance market, has underlined the increasing dominance of corporate capital and the growing presence of overseas groups in the market. Corporate investors started to replace the dwindling band of Names, whose wealth traditionally supported Lloyd's, after the financial crisis that hit it in the early 1990s. Page 16

**Israeli food retailers focus on home**  
After venturing abroad, Israel's two largest food retailers are returning home and concentrating on what they do best: selling food to Israelis. For Blue Square and Superol, a company which has dominated the food retailing sector for decades, the decision coincides with deepening third quarter results. Page 14

**Iron ore prices set to be cut**  
Australian iron ore producers are braced for a sharp price cut in forthcoming negotiations with Japanese steel producers. Japanese steel production is set to reach its lowest in nearly three decades in the year to March, while world steel production in November fell an annual 9.5 per cent, the largest drop since 1983. Page 16

**Dollar slips ahead of euro launch**  
The US dollar dropped back from the overnight highs it reached in Tokyo. However, trading was lacklustre, with dealers reluctant to take significant positions ahead of the impending launch of Europe's single currency. Page 18

**Deflation fears trigger Tokyo falls**  
Shares traded lightly in Tokyo in spite of Sunday's confirmation by the Economic Planning Agency that Japan's economy had entered a deflationary spiral. The benchmark Nikkei 225 Average fell 0.6 per cent. Page 28

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## INVESTMENT BANKS END 1998 AHEAD ON EARNINGS DESPITE DISRUPTION TRIGGERED BY RUSSIA'S DEBT DEFAULT

# Wall Street survives the turmoil of a tough year

By Tracy Carrigan in New York

Wall Street firms are still paying the price for the worst financial market disruption in 50 years, despite a market rebound in November.

The fourth quarter has been better than the third, but is still expected to be only marginally profitable for many and well below last year's levels, according to analysts.

Merrill Lynch and Donaldson, Lufkin & Jenrette shares are ending the year more or less where they started, despite a 26 per cent rise in the Standard & Poor's 500 Index, and thousands of jobs have been cut on Wall Street.

As well as suffering trading losses, firms were hit by a fall-off in underwriting and mergers and acquisitions activity due to the market turmoil triggered by Russia's default on its domestic debt in August.

"October was bad," said Raphael Soifer, securities industry analyst at Brown



Brothers Harriman, "and December has two light weeks" for underwriting and mergers and acquisitions because of the holidays. Nevertheless, the picture for the year as a whole looks better than might be expected. The value of global mergers and acquisitions totals \$2,420bn for the year to date compared with \$1,618bn last year, according to Securities Data.

Debt and equity issuance in the US domestic market has reached \$1,796bn, up from \$1,313bn a year ago, although new issue volume in higher margin businesses such as IPOs is down for the quarter and for the year.

Despite poor third and/or fourth quarters, many firms are likely to set record or near record earnings for the year when they report in January and February.

Goldman Sachs, which had two nasty months - September and October - in its fourth

quarter because of its November fiscal year end, has already reported record revenues this year and near-record earnings.

Lehman Brothers, a firm which only months ago was rumoured to be on the brink of disaster, is expected to show a record year when it reports next week.

Morgan Stanley, which also reports next week, has benefited not only from its broad spread of businesses but also from superior risk management systems. "They managed to dodge most of the bullets," said Mr Soifer. For those who

took some big hits, a broad spread of businesses is still a help. Merrill Lynch performed badly in fixed income, prompting a management shake-up in that business and in risk management. Merrill still managed to top the US underwriting league tables again this year, however, and ranked second in global M&A.

In fact, the bulge bracket which dominates the US securities industry appears better equipped than ever. These are also reasons for big US investment banks to be cheerful about 1998. Trading volume

looks likely to remain high, and underwriting and M&A pipelines have refilled.

Some analysts, however, warn that concerns about the Millennium computer bug will severely dampen activity in the second half of the year.

The buoyant first half of 1998, which will help firms produce impressive 1998 earnings despite months of market turmoil, will set tough comparisons for next year. The fortunes of Wall Street remain, as one analyst said, "a bet on the market" - and as this year has shown, that is a tricky call.

## Cephalon shares up after new drug is approved

By Victoria Griffiths in Boston

Shares in the US biotechnology company Cephalon rose sharply in morning trading yesterday after the US Food & Drug Administration (FDA) approved its treatment for narcolepsy, the first non-amphetamine drug to be approved for the disease in 40 years.

The share price, which closed at \$3.19 on Christmas Eve - peaked at \$10.71, before falling back to \$3.19 in afternoon trading.

The approval of Provigil, as the product will be called, marks a turn in fortune for Cephalon. "Sales of Provigil alone should move the company into profits by the year 2001," said David Stone, a biotechnology analyst with the research group SG Cowan Securities.

Like most biotechnology companies, Cephalon is losing money. It had traded as high as \$40 a share three years ago, but lost favour with investors after the FDA failed to clear Myotrophin, the company's treatment for Lou Gehrig's disease, a condition that attacks the nervous system.

Narcolepsy, a chronic disorder that can cause patients to fall asleep against their will at any time of the day, affects about 250,000 people in the industrial world. The treatment will be Cephalon's first product in the US. Provigil has already been approved in several markets in Europe.

Cephalon's strategy is to gain approval to use Provigil to treat other diseases.

"There are a lot of other conditions that cause excessive drowsiness during the day, and we're concentrating on getting clearance for those," said Frank Baldino, Cephalon chief executive.

Provigil could also be used to treat patients with obstructive sleep apnea, a breathing disorder that prevents sufferers from getting a good night's sleep.

Although many patients with the condition now use a device to keep their airways open, daytime drowsiness can still be a problem.

Provigil has a number of advantages over current treatments for narcolepsy.

Patients need to take the medicine once a day - not several times a day like most amphetamines - and Provigil is not habit-forming.

Cephalon's treatment, however, did show mild to moderate side effects in clinical trials such as headaches, nausea, anxiety and night-time insomnia.

## MOVE IS PART OF STRATEGY TO REBUILD FINANCES FOLLOWING SECTOR'S BAD LOAN PROBLEMS

# Fuji Bank is preparing to raise \$1.8bn in New Year share issue

By Naoko Nakamura in Tokyo

Fuji Bank, one of Japan's largest commercial banks, is to raise \$1.8bn (£1.87bn) by issuing new shares in January. Its business partners in the Fuyo keiretsu, or corporate family, will provide 60 per cent of the fresh capital.

The bank has been implementing an aggressive strategy to rebuild its finances after running into the loan problems that have hit the Japanese banking sector, though it denied it would be using the proceeds to write off its bad loans.

Instead, it confirmed that it planned to apply for between ¥500bn and ¥600bn of public money to strengthen its financial base. Its strategy differs from that of Bank of Tokyo-Mitsubishi, Japan's biggest, which has decided not to apply for public funds.

Fuji Bank will issue more than 500m shares by third-party allocation to 60 companies. From the Fuyo keiretsu, Yasuda Mutual Life will be buying over 15 per cent, or ¥400bn, of the shares, while Yasuda Fire and Marine will account for ¥200bn. Nissan Motor and Marubeni Corporation are each set to acquire ¥100bn. Hitachi, a Fuyo group affiliate, will be buying a modest ¥10bn.

Japan's two largest life insurers, Nippon Life and Daiichi Mutual Life, will be acquiring ¥100bn of shares each. Both are big shareholders in Fuji Bank.

Sakura Bank and Bank of Tokyo-Mitsubishi also declared recently that they planned to raise capital privately. But Sakura Bank hit a snag when Toyota Motor, a fellow member of the Mitsu keiretsu, refused to participate in a planned ¥350bn capital injection for the bank.

Fuji said it would use ¥700bn of the share issue to fund the creation of a new trust bank with Dai-ichi Kangyo Bank. The remainder would largely be used to strengthen its domestic and overseas systems infrastructure. "We are preparing our survival strategy for an increasingly competitive business environment in the

wake of Big Bang reforms," said a Fuji Bank official.

It is in the process of increasing its reserves for problem loans by ¥450bn this fiscal year, of which ¥200bn will be used to boost problem loan reserves. The bank is also reducing unrealised losses on securities by roughly ¥350bn through stock devaluation and outright market sales. It plans to offset these expenses with tax credits totalling ¥600bn, which it expects to receive at the end of March.

Fuji Bank shares ended the day unchanged at ¥431. Bank of Tokyo-Mitsubishi also remained unchanged at ¥1,202, but Sakura Bank, yesterday's most heavily traded stock, fell 3.3 per cent, or ¥9, to ¥261.

## MARKET WILL GROW TO \$36BN NEXT YEAR

# China relying on bonds to boost economic growth

By James Harding in Shanghai

China is set to rely more on its emerging domestic bond markets as well as international capital markets next year, as the government continues its fast-growing debt insurance programme to finance infrastructure spending and boost economic growth.

Beijing is expected to increase the issuance of state, or central government, bonds to more than RMB\$300bn (\$36.5bn) next year and is also considering applications for overseas issues, following the successful recent offering of a sovereign \$1bn 10-year bond.

The plans to call on domestic and global bond markets underline the pressures on Beijing to find funds to pay off debts in the state sector. Finance construction projects and ease the strain on an over-stretched national budget.

According to officials, China's budget deficit is likely to reach around RMB\$95bn this year and analysts expect the government will have to continue deficit spending next year if China's slowing economy is going to meet what officials are forecasting will be 7.5 per cent growth for 1999.

Debt issuance this year has leapt to a total of about RMB\$600bn in different kinds of public sector bonds, including RMB\$280bn of state bonds. State bond issues alone are expected to rise next year to RMB\$800bn, according to China Securities, the official newspaper. Beijing has just set the

middle of next month as the date for the issue of a domestic RMB\$20bn bond to finance construction of the Three Gorges dam, the world's largest civil engineering project.

The government is also expected to turn to overseas investors, after the issue this month of its first sovereign bond since the start of the Asian financial crisis was oversubscribed.

The debt was priced 300 basis points over the benchmark 10-year US Treasury and about 50 basis points over the last China bond issues. Credit Suisse First Boston and Goldman Sachs jointly led the deal.

The pricing of the bonds attracted investors, but some people have been concerned about the use of funds raised. Campaigners at the International Rivers Network have pointed out that the prospectus allows that some of the money may assist the Three Gorges project, which they say threatens to damage the environment permanently, exact a heavy social cost and prove an inefficient way to generate electricity.

Institutions looking to raise funds outside China include the State Development Bank - China's main policy bank and lender for domestic infrastructure - which is expected to tap foreign investors early in 1999. Chen Yuan, the bank governor, has also said the SDB would be keen to issue bonds denominated in euros "if the market gives us a chance".

## UK energy producer's Polish venture falters

By Christopher Bohndel in Warsaw

Talks between National Power, the UK energy producer, and Poland's state treasury on the purchase of a strategic stake in the Putnow-Adamow-Konin (PAK) complex, one of the country's largest power generators, have foundered amidst a fall in Poland's wholesale power prices.

The privatisation of the plant, which supplies about 11 per cent of Poland's power needs, is the first significant sale in the sector, which has recently embarked on a partial liberalisation of the wholesale power market covering about 30 per cent of energy output.

The talks, which resulted in National Power offering \$125m for a 20 per cent stake in PAK, were due to have been completed just before Christmas.

But they halted when Emil Wasas, the treasury minister, refused the UK company more time to negotiate long term agreements with Poland's National Grid (PSE) and regional distributors on the prices PAK would receive for its energy, according to people close to the talks.

National Power offered a further \$125m for another 17 per cent stake in PAK to help finance the lignite-powered generator's estimated \$1bn modernisation costs.

The British company, which is understood to be interested in resuming negotiations, had been in talks on the purchase since the beginning of October.

The Polish treasury had granted the UK company exclusive negotiating rights against a bid from Elektrim, a listed Polish industrial conglomerate backed by the California Energy Company plus local banks and energy plant construction and supply companies.

A partial liberalisation of Poland's wholesale power market has seen hard coal-powered generators lowering prices for next year by about 10 per cent in real terms in an effort to retain market share.

The liberalisation has, for the first time, allowed regional distribution companies to negotiate directly with the generators and to shun PSE, which previously administered supply and demand.

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HALIFAX INTERNATIONAL MANX PREMIUM			
£100,000+	7.15%	6.75%	6.55%
£50,000+	7.10%	6.70%	6.50%
£25,000+	6.90%	6.50%	6.31%
£10,000+	6.50%	6.10%	5.94%
HALIFAX INTERNATIONAL MANX GOLD			
£100,000+	6.80%	6.40%	6.22%
£50,000+	6.60%	6.20%	6.03%
£25,000+	6.55%	6.15%	5.98%
£10,000+	6.10%	5.70%	5.56%
£5,000+	5.55%	5.15%	5.03%
£500+	3.95%	3.55%	3.49%
£10+	2.70%	2.30%	N/A

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29th December 1998

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## COMPANIES &amp; FINANCE

STOCK MARKETS OTHER COMPANIES ARE BENEFITING FROM THE DEMAND FOR ON-LINE STOCKS

## Internet mania extends its reach

By Richard Waters in New York

The internet mania gripping the US stock market has spread, touching other companies whose fortunes appear most closely linked to the on-line world, if Wall Street's current rally is anything to go by.

The shift has been powerful enough to alter the traditional pecking order in industries such as telecommunications and stockbroking - a sea-change in stock market sentiment that has gathered momentum in the final days of the year.

Among the beneficiaries of this spill-over have been companies such as Charles Schwab, the private-client broker which was a pioneer of on-line trading and investing, and MCI WorldCom, the telecoms company whose network carries a large part of the traffic for the internet.

Shares in San Francisco-based Charles Schwab jumped another 12 per cent yesterday morning

as investors continued to place a bet that the stockbroker would turn its early lead in the on-line world into a lasting advantage.

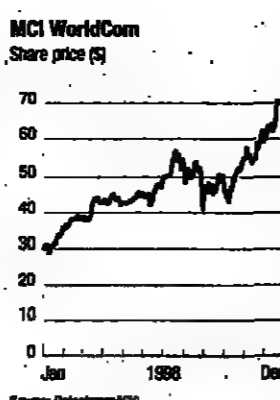
The mania for internet stocks that took hold at the beginning of December has also continued to fuel the rise of Cisco Systems, the

**The shift has altered the pecking order in leading market sectors**

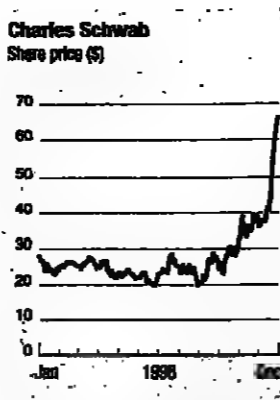
company which makes most of the routers and other equipment on which the internet operates.

The enthusiasm has lifted Schwab's stock market value by 70 per cent in the space of only eight trading sessions.

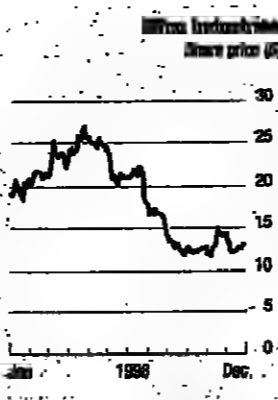
Coming after a strong year, the latest advance pointed to high hopes about the on-line future. The



Source: DataStream



Source: DataStream



Source: DataStream

market capitalisation had jumped to \$18bn by yesterday, up from \$7bn at the start of the year. Other brokerage stocks, meanwhile, are ending the year close to the levels they started it. As a result, Schwab now stands nearly shoulder-to-shoulder with Merrill Lynch, which is valued at \$28bn - even though Schwab's \$3.5bn or so of revenue this year makes it less than a tenth the size of Merrill.

A similar, though less dramatic, shift in the telecom sector briefly pushed the market capitalisation of MCI WorldCom above that of AT&T earlier this month. Because of the rapid growth of its data business, much of it tied to the emergence of the internet, MCI WorldCom's shares have climbed from \$30 to \$71 this year, far outpacing the 25 per cent advance at AT&T.

Despite getting caught up in the internet fever that has swept across the stock market, companies such as MCI WorldCom and Schwab still rely for the bulk of their revenues on activities that have nothing to do with the on-line world.

## Israeli food retailers go back to their roots

After disappointing forays abroad Blue Square and Supersol are retrenching at home, reports Judy Dempsey

After venturing abroad, or expanding into other areas, Israel's two largest food retailers have decided to call it a day. They are returning home and concentrating on what they do best: selling food to Israelis.

For Blue Square and Supersol, a duopoly which has dominated Israel's food retailing sector for decades, the decision to focus on the domestic market came as both companies unveiled disappointing third-quarter results.

Blue Square, a public company also listed in Wall Street, reported an 8.1 per cent fall in quarterly same-store sales while net income fell 6 per cent to \$19.4m (\$4.83m).

Supersol's results were equally unimpressive. Its same-store quarterly sales declined 3.6 per cent and net income plummeted, falling 17.3 per cent to \$12.7m.

Both retailers blamed the economic climate. Gross domestic product slowed to 1.5 per cent for most of 1998, allowing private consumption per capita to rise only 1 per cent compared with 1.5 per cent the previous year.

Inflation was another factor hampering strong growth, since food imports - worth more than \$1bn a year - account for 10 per cent of total food consumption. The shekel fell in value

against the dollar by 15-16 per cent between August and October. And inflation jumped in the last quarter of 1998.

With such an economic downturn, it may seem surprising that Supersol and Blue Square have decided to refocus on food retailing. But Keith Phillips, analyst at SG Securities in London, says: "It's what they both know how to do best."

Supersol's experiences in Hungary, where it established a presence in the mid-1990s, confirms this. It recently sold off its holdings there, having failed to make any impact on the local consumer.

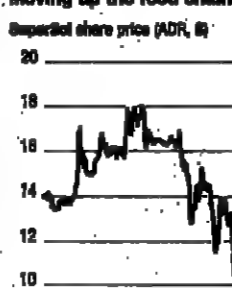
"I think Supersol learnt that going overseas was very costly," said Mr Phillips. "You need experience, good management and marketing."

As it quit Hungary, Supersol - a publicly traded company controlled by Israel's Recanat family - also disposed of its office supplies and do-it-yourself outlets.

It then started restructuring the Shekum food stores which it bought in 1997 and invested in a new logistics centre aimed at reducing inventory and distribution costs.

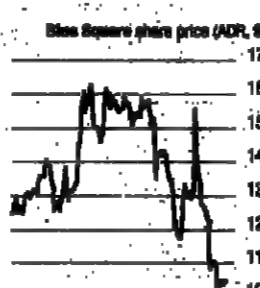
And as if to underline its new focus, Supersol recently appointed the head of the technical and logistics divi-

Moving up the food chain



Source: DataStream

Blue Square share price (ADR, \$)



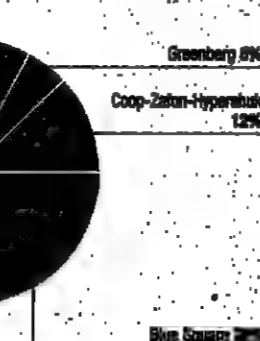
Source: DataStream

Food sales (%)



Source: Financial Reports

Greenberg 8%



Source: Financial Reports

sion of the Israeli army, Major General Ami Segal, as chief executive officer.

Blue Square has taken a hard look at its strategy as well. Unwilling to carry operating losses of \$16.5m in its non-food activities during the third quarter of 1998,

it recently agreed to sell Hamaashbir, its department store operations, to Co-Op, the parent company.

Now that Supersol and Blue Square have decided to refocus on food retailing, competition in that sector is expected to increase,

particularly in the food sector.

This is one area on which both companies appear eager to focus their efforts. The question is whether the Israeli retailing sector is not already saturated.

"We know the market is a duopoly," said Stephen Levey, head of Warburg Dillon Read in Israel. "However, there is still a lot of scope for expansion of the supermarket chains."

For example, the formal food retail sector accounts for about 80 per cent of total food retailing in the US and 60 per cent in Europe. That compares with a level of about 30 per cent in Israel.

To increase market penetration, both companies have ambitious expansion plans, which include introducing loyalty cards and own brand products, a fairly new concept in Israeli retailing.

Supersol has recently added six stores across Israel and in 1999 intends to add a further 50,000 sq m of retail space to its existing 200,000 sq m. Blue Square plans to expand by 20 per cent over an unspecified period.

Despite competitive pressures, most analysts believe the duopoly will continue for some time. But in the meantime, Mr Phillips argues, "it's gloves off time".

## Laflachère is LVMH fund's first purchase

By Samer Iskander in Paris

A newly-created venture capital fund controlled by LVMH, the French luxury goods group, yesterday made its first transaction by acquiring Laflachère for an undisclosed amount.

Laflachère's main asset is a stake of more than 70 per cent in Brosse et Dupont, France's leading toothbrush maker, with FFR996m (\$177m) of sales and net profits of FFR30m for the year ending September 1997.

Laflachère and its new owners also offered FFR650 a share for the remaining share of Brosse et Dupont, which is listed on the Paris stock exchange, valuing the company at more than FFR1bn, analysts said. Brosse et Dupont shares rose FFR10 to FFR30.

LVMH said its unnamed investment fund would seek returns of at least 20 per cent on its investments, mainly in medium sized companies with annual sales of between FFR50m-FFR1bn.

Last week, LVMH halted talks about buying Sanofi Beausé, the beauty products arm of Sanofi, the chemicals company controlled by oil group Elf Aquitaine. Sanofi Beausé is to be spun off following the merger, announced earlier this month, of Sanofi's pharmaceutical activities with those of Synthelabo, the drugs group controlled by the cosmetics company L'Oréal.

LVMH said it had dropped its FFR6.5bn bid (including assuming FFR1.2bn of Sanofi Beausé debt) because "discussions revealed difficulties in integrating certain (Sanofi Beausé) brands with the perfume division of LVMH".

Analysts have warned the merger would create conflicts of interest in the management of rival brands, such as LVMH's Christian Dior and Sanofi's Yves Saint Laurent.

It is also understood that Yves Saint Laurent, founder of the eponymous fashion group now controlled by Sanofi, had demanded to retain long term control over the image and marketing of some brands, in exchange for his co-operation with the would-be buyers.

"As these difficulties appeared to be an obstacle to obtaining the expected synergies, LVMH has withdrawn from the sale process," LVMH said.

Sanofi said Lazard Frères, the investment bank advising it on the sale, would continue negotiating with other interested groups.

## NEWS DIGEST

## ELECTRONICS

## Philips sells part of stake in US car guidance group

Philips NV is selling part of its stake in US-based Navigation Technologies Inc (NavTech), a leader in car guidance technology, to a financial consortium involving a Dutch bank. Philips, a leading electronics group, gave no financial details of the sale, which will cut its interest in NavTech to around 40 per cent from more than 60 per cent. Analysts said the move was proof of Philips' determination to dispose of loss-making concerns.

"NavTech is one of the last bleeders," said Bart Siebrand, an analyst at SNS Securities in Amsterdam, referring to chief executive Cor Boonstra's 1998 pledge to root out loss-makers. Over the past two years Philips has divested numerous non-core interests, including entertainment group PolyGram and vehicle unit Philips Car Sales.

Losses at NavTech, which supplies continuously updated route guidance maps to databases in the US and Europe, are estimated at \$150m to \$200m (\$79m to \$106m) annually, analysts say, mainly linked to start-up and research costs. News of the sale fostered positive sentiment on the Amsterdam stock exchange, where Philips shares climbed 2.38 per cent to \$128.80.

Reuters, Amsterdam

## REFRIGERATION

## Qingdao Haier sales rise

Qingdao Haier, China's leading refrigerator manufacturer, saw 1998 sales rise by 50 per cent over the previous period to RMB18.2bn (\$1.96bn) by December 28, the China Daily said yesterday. Exports rose 36 per cent year-on-year as Haier focused sales on Europe and the US. Analysts say the company is one of the few local enterprises with credible ambitions of becoming an internationally competitive company.

Zhang Ruimin, president, said 60 per cent of overseas sales of domestic appliances went to Europe and the US, while only 16 per cent were sold in south-east Asia. Haier, which has led the recapture of the local white goods market by domestic manufacturers from foreign competitors, derives most of its revenue from Chinese customers, having earned only \$56m last year from exports.

Haier merged 18 companies with losses of more than RMB500m in eastern Shandong, Zhejiang and southern Guangdong provinces, turning them into profitable businesses, the China Daily said. James Harding, Shanghai

## INDONESIAN OIL

## Pertamina cancels contracts

Indonesian state oil firm Pertamina has cancelled the contracts for 182 projects, mostly linked to the family and associates of former President Suharto, because of alleged corruption in the way they were awarded. "We have concluded the investigation of 182 projects in Pertamina, including exploration and catalysts for its refineries," said Kuntoro Mangkusubroto, mines and energy minister.

Mr Kuntoro said cancellation of the suspect projects would save Pertamina \$64.7m in dollar expenses and Rp212bn (\$28.5m) in rupiah costs. He said there were still seven projects under further investigation, including the Belong refinery in West Java and technical assistance contracts in Sambekung.

The government of President B.J. Habibie has launched an official probe into Mr Suharto's wealth, amid growing public pressure for the former president to be brought to court for alleged corruption during his 32 years in power. Reuters, Jakarta

## CORRECTION

## Daiwa Securities

Daiwa Securities forged a joint-venture this year with Sumitomo Bank, not Sumitomo Trust as stated in the Financial Times yesterday.

## Japanese contractors warn of deeper losses

By Alexandra Harney in Tokyo

Japan's embattled construction sector suffered another blow yesterday when Tokyo and Fujitsu Construction, two of the country's largest contractors, warned that losses would be more than double those earlier forecast and unveiled massive restructuring plans aimed at reducing high levels of interest-bearing debt.

The warnings underlined the seriousness of the crisis in the construction sector. The collapse in demand for projects, and the sharp decline in land and equity values as a result of the prolonged economic recession are forcing a growing number of contractors to negotiate with lenders for debt forgiveness plans and even file for bankruptcy.

Tokyo said it expected parent net losses to balloon to ¥90bn (\$775m) by next March, compared with losses of ¥12.17bn last year, although company executives admitted it was likely to incur further extraordinary losses as a result of restructuring.

The announcement marked a rapid downward revision: in late November, the contractor had expected

net losses of ¥37bn on turnover of ¥455bn. Yesterday, Tokyo also lowered its sales forecast to ¥472bn.

Analysts said the restructuring plan, approved at a board meeting yesterday, was clearly managed by Tokyo Corporation, the diversified group that is the contractor's largest shareholder. The plan called for the immediate resignation of president Tetsu Goto and the appointment of Kuniyoshi Ihara, former Tokyo Corporation vice president, in his place.

It represents the contractor's latest attempt to limit the damage from the growing crisis in Japan's construction sector, which has left companies that expanded aggressively during the economic bubble in the 1980s and early 1990s with huge property and equity holdings now worth a fraction of their purchase value.

Chief among the three-year plan's initiatives were the elimination of 1,500 jobs, a near-complete withdrawal from overseas operations, the sale of assets and a ¥30bn third-party share increase. The contractor hopes to lower its interest-bearing debt burden by ¥83bn, from ¥379bn this

year to ¥296bn by the end of 2001.

Most of the job cuts, which represent 35 per cent of the workforce, would be achieved through a voluntary retirement scheme, which would eliminate 1,300 positions. The rest would be lost through natural wastage, said Mr Ihara.

The Tokyo group, which is expected to purchase all of the shares in the ¥30bn third party share issuance as part of the rescue package later this year, encompasses an estimated 400 companies, with businesses ranging from petrol sales to railways, hotels and travel agencies.

The bulk of the debt reduction would be achieved through the sale of stocks and property holdings, company executives said. The plan includes the disposal of ¥45bn in debts from the sale of property holdings and uncollected construction project fees as well as the disposal of ¥48bn worth of debts from subsidiaries.

Tokyo Construction has 11 overseas subsidiaries and about 10 units in Japan. The group's shares edged up slightly, finishing at ¥88, which is ¥2, or 2.3 per cent, above their close last week.

## Thomson-CSF cleared for talks with GEC

By David Owen in Paris

French government officials yesterday confirmed giving the Thomson-CSF defence electronics group clearance to discuss a possible tie-up with the defence unit of the UK's General Electric Company, but said they would expect any agreement to be "balanced".

The officials also made clear it was very unlikely the French government would consent to selling the state's 40 per cent holding in Thomson completely in the context of such a deal.

They indicated that they hoped to hear more from Denis Ranque, Thomson-CSF chairman, on the likelihood and possible terms and conditions of an agreement in the first half of January.

Their comments came after Thomson-CSF said it had won the full backing of the government to pursue a merger with Marconi Electronics, GEC's defence unit. Mr Ranque said the government had agreed to reduce the state's shareholding to below 10 per cent if necessary to complete the transaction.

The officials suggested Paris would expect any deal to strike a balance on points such as the management and decision centres of a combined entity.

However, they drew a distinction between the government's likely bottom line in any Thomson merger and the situation at Airbus, where a planned restructuring has been thrown into confusion by a squabble between the consortium's main shareholders and Ger-

many's Dass, saying France's state-owned Aerospace had demanded 50 per cent in a restructured Airbus.

In its current shape and financial structure, Thomson-CSF is likely to be the junior partner in any deal with Marconi, but is holding out for more than a 40 per cent share in any merged entity.

The officials emphasised that government reluctance to contemplate selling out of Thomson-CSF - or the soon to be privatised Aerospace - entirely was on "strategic" rather than "ideological" grounds.

In essence, Paris is keen to ensure a stable shareholder base and remains wary of any deal it feels might leave the future of such important components of Europe's defence industry in the hands of a small number of large institutional investors.

The officials also stressed that a tie-up involving GEC was just one of a number of options for Thomson-CSF. GEC has equally made it clear that a deal with the French company is not its only option.

Nevertheless, a string of well placed government and industry representatives have indicated in recent weeks that they believed a GEC/Thomson deal was one of the most likely outcomes of the current burst of merger negotiations in the European defence industry. Asked yesterday whether Mr Ranque had also been given clearance to talk to British Aerospace, French officials said this had not been asked for.

## BANCA POPOLARE DI BRESCIA

Co-operative Central Lending Company  
Via Leonardo da Vinci, 76 - Brescia  
Registered Office: 25122 - Banking Office: 25121  
Registered capital: Lit. 500,000,000,000

## NOTICE TO NOTEHOLDERS

"Banca Popolare di Brescia 7% subordinated convertible notes 1997-2003" - LIC 105017 -

Notice is hereby given that from January 1st 1999 interest relative to the period from January 1st, 1998 to December 31st, 1998 will be payable in the ratio of 10.672 (gross of withholding tax) per each note of Lit. 9,600 nominal value, against presentation of coupon n. 2. Payment will take place at Banca Popolare di Brescia branches, Monte Titoli S.p.A. with respect to those certificates held by Monte Titoli and at Banque Générale du Luxembourg S.A.

Brescia, December 29th, 1998

Banca Popolare di Brescia

Handwritten signature: J. P. Vici

## COMPANIES &amp; FINANCE

## Treasuries stage recovery

## GOVERNMENT BONDS

By Richard Waters in New York and agencies

US Treasuries staged their first rally in more than a week in morning trading, erasing some of the losses that had accompanied the fading of hopes for another early cut in short-term interest rates.

However European bond markets were subdued due to the holiday period and lack of interest ahead of the introduction of the euro.

Dealers said that with the European single currency's

birth only days away, there was little desire to carry out trades that could straddle the "conversion weekend", which stretches from December 31 to January 4.

Activity was kept to the long end of the German market but this was mostly year-end book-keeping.

The rebound in the US stemmed a decline in prices that had added around 25 basis points to the yield on 30-year Treasury bonds over the previous two weeks.

It reflected the generally positive background for Treasury bonds as the year draws to a close, despite the

recent retreat in prices, according to Wall Street economists.

In light trading yesterday morning in New York, the long bond advanced  $\frac{1}{8}$  to 101.2. That pushed the yield down some four basis points from the level touched just before the Christmas holiday, to 5.175 per cent.

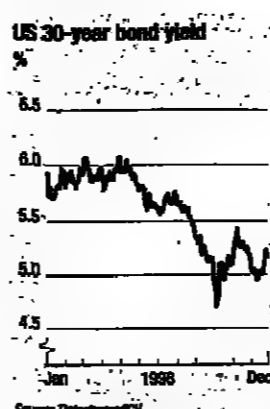
Shorter-dated securities had a mixed morning, contributing to the flattening of the US yield curve that has accompanied the fading of hopes for a rate cut. Two-year notes were unchanged at 9.9%, yielding 4.761 per cent, while 10-year bonds

rose  $\frac{1}{8}$  to 101.5, pushing the yield down to 4.797 per cent.

The yield on long-term bonds may have bounced back above 5 per cent, but it is still some 75 basis points lower than the start of the year, because of a continued decline in consumer price inflation during the year.

Also, while the US economy has surprised most economists with its strength throughout the year, most expect it to weaken in 1999.

The bond market's belief that the Federal Reserve will not cut interest rates again soon seemed to be confirmed last Thursday, when the



publication of the minutes from November's Open Market Committee meeting showed that the Fed was no longer following a bias towards cutting rates.

## Murdoch extends European TV plans

The media tycoon is close to acquiring another minority stake

By Paul Boffa in Milan

Rupert Murdoch, fresh from his preliminary agreement to buy a controlling stake in a new Italian pay TV network, is close to acquiring a minority stake in another European television partnership involving Germany's Kirch group and the Italian Mediaset commercial TV network.

The two separate but concurrent moves are part of the media tycoon's efforts to build up a significant television broadcasting presence in continental Europe.

Italian newspapers yesterday reported that representatives of Mr Murdoch, Mediaset and Prince Al Waleed of Saudi Arabia were putting the final touches to an agreement that would see them take minority stakes in the Kirch group's new Taurus Holding company.

The deal is part of the German group's efforts to reduce its heavy debt burden at the same time as preparing the new company for a stock market listing next year.

If successful, it will also constitute the basis of a new European television partnership that would draw on the Kirch group's extensive film library as well as its TV rights for the 2002 and 2006 soccer World Cup championships.

The new company will control both the soccer



Rupert Murdoch

Mr Murdoch's preliminary agreement to acquire from Telecom Italia up to 80 per cent of its Stream digital TV venture yesterday boosted the private telecommunications group's shares by more than 3 per cent on the Milan stock exchange.

The agreement with Mr Murdoch appeared to confirm the commitment of Franco Bernabè, Telecom Italia's new chief executive, to refocus the group on its core telecommunications businesses. Telecom Italia plans to retain a 20 per cent stake in the digital TV venture to maintain a foothold in new interactive communications technologies.

Under the preliminary deal with Mr Murdoch, Telecom Italia would retain exclusive rights to provide Stream subscribers with new interactive communications services. However, the deal still hinges on Mr Murdoch's News Corporation securing the pay TV rights for Italian professional soccer.

Italian press reports yesterday claimed Mr Murdoch's new News Corp Europe subsidiary, headed by Letizia Moratti, a former president of the Italian RAI state broadcasting network, was close to securing the pay TV rights from a number of Italian clubs including Roma, Lazio, Parma, Sampdoria of Genoa and Fiorentina, the leader in the Serie "A" league.

## IRON ORE AUSTRALIAN INDUSTRY EXPECTS BIG FALL IN NEGOTIATIONS WITH JAPANESE STEEL GROUPS

## Producers braced for cut in prices

By Steven Wyatt and Emma Robinson in Sydney

Australian iron ore producers are braced for a sharp cut in price in forthcoming contract price negotiations with Japanese steel producers after the collapse of coking coal prices in similar talks last month.

As the iron ore exporters prepare for the January talks - which traditionally set an international benchmark for iron ore prices - their negotiating environment could not be worse.

Japanese steel production has fallen steadily this year and is set to reach its lowest in nearly three decades at about 92m tonnes in the financial year to March.

The global outlook is also poor, with the International Iron and Steel Institute confirming that world steel production in November fell an annual 9.3 per cent, the largest drop since early 1993.

However, the most daunting development for Australia's iron ore industry was the 13 per cent price cut accepted by coking coal exporters in negotiations earlier this month with Japanese steel companies.

Before the coal price cut, which applies to exports in the year to March 2000, analysts had predicted a 5 per cent cut for iron ore producers. Most have revised their expectations to an average cut of about 10 per cent, said Alan Heap, commodities

analyst at Salomon Smith Barney in Sydney.

Australia's leading iron ore exporters include Hamersley Iron, a unit of Anglo-Australian company Rio Tinto, Broken Hill Proprietary and Robe River, an offshoot of North Ltd.

The industry is linked closely with pig iron because, along with coking coal, iron ore is the primary raw material used to produce blast furnace pig iron.

However, world pig iron production is declining rapidly. It fell 6.6 per cent in November, while production in western countries fell nearly 10 per cent, according to Macquarie Equities.

Weakness started in Asia but the latest data show US

pig iron production fell 19 per cent in November while European production slid nearly 11 per cent.

Japanese crude steel production, meanwhile, fell an annual 13.8 per cent in November, while pig iron production fell 6.6 per cent for a fall of 4.3 per cent over the 11 months to November.

Analysts say worse is to come. "We would expect further deterioration in pig iron production, especially in Japan," said Mr Heap.

The link between iron ore and coal prices, however, is not always close, and iron ore may not suffer as big a cut as coal, according to Adam Rowley and Jim Lennon, commodities analysts at Macquarie Equities.

## COMMODITIES PRICES

## IRON ORE (100 TONNES CIF)

Date	High	Low	Open	Close
Dec	55.50	54.50	54.50	54.50
Jan	55.50	54.50	54.50	54.50
Feb	55.50	54.50	54.50	54.50
Mar	55.50	54.50	54.50	54.50
Apr	55.50	54.50	54.50	54.50
May	55.50	54.50	54.50	54.50
Jun	55.50	54.50	54.50	54.50
Jul	55.50	54.50	54.50	54.50
Aug	55.50	54.50	54.50	54.50
Sep	55.50	54.50	54.50	54.50
Oct	55.50	54.50	54.50	54.50
Nov	55.50	54.50	54.50	54.50
Dec	55.50	54.50	54.50	54.50

## PRECIOUS METALS CONTINUED

## GOLD COMEX (100 TONNES)

Date	High	Low	Open	Close
Dec	266.5	265.5	265.5	265.5
Jan	266.5	265.5	265.5	265.5
Feb	266.5	265.5	265.5	265.5
Mar	266.5	265.5	265.5	265.5
Apr	266.5	265.5	265.5	265.5
May	266.5	265.5	265.5	265.5
Jun	266.5	265.5	265.5	265.5
Jul	266.5	265.5	265.5	265.5
Aug	266.5	265.5	265.5	265.5
Sep	266.5	265.5	265.5	265.5
Oct	266.5	265.5	265.5	265.5
Nov	266.5	265.5	265.5	265.5
Dec	266.5	265.5	265.5	265.5

## PLATINUM COMEX (50 TONNES)

Date	High	Low	Open	Close
Dec	347.0	346.0	346.0	346.0
Jan	347.0	346.0	346.0	346.0
Feb	347.0	346.0	346.0	346.0
Mar	347.0	346.0	346.0	346.0
Apr	347.0	346.0	346.0	346.0
May	347.0	346.0	346.0	346.0
Jun	347.0	346.0	346.0	346.0
Jul	347.0	346.0	346.0	346.0
Aug	347.0	346.0	346.0	346.0
Sep	347.0	346.0	346.0	346.0
Oct	347.0	346.0	346.0	346.0
Nov	347.0	346.0	346.0	346.0
Dec	347.0	346.0	346.0	346.0

## SILVER COMEX (50 TONNES)

Date	High	Low	Open	Close
Dec	490.0	489.0	489.0	489.0
Jan	490.0	489.0	489.0	489.0
Feb	490.0	489.0	489.0	489.0
Mar	490.0	489.0	489.0	489.0
Apr	490.0	489.0	489.0	489.0
May	490.0	489.0	489.0	489.0
Jun	490.0	489.0	489.0	489.0
Jul	490.0	489.0	489.0	489.0
Aug	490.0	489.0	489.0	489.0
Sep	490.0	489.0	489.0	489.0
Oct	490.0	489.0	489.0	489.0
Nov	490.0	489.0	489.0	489.0
Dec	490.0	489.0	489.0	489.0

## ENERGY

## CRUDE OIL (100 BARRELS)

Date	High	Low	Open	Close
Dec	11.40	11.30	11.30	11.30
Jan	11.40	11.30	11.30	11.30
Feb	11.40	11.30	11.30	11.30
Mar	11.40	11.30	11.30	11.30
Apr	11.40	11.30	11.30	11.30
May	11.40	11.30	11.30	11.30
Jun	11.40	11.30	11.30	11.30
Jul	11.40	11.30	11.30	11.30
Aug	11.40	11.30	11.30	11.30
Sep	11.40	11.30	11.30	11.30
Oct	11.40	11.30	11.30	11.30
Nov	11.40	11.30	11.30	11.30
Dec	11.40	11.30	11.30	11.30

## NATURAL GAS (1000 BTU)

Date	High	Low	Open	Close
Dec	2.45	2.40	2.40	2.40
Jan	2.45	2.40	2.40	2.40
Feb	2.45	2.40	2.40	2.40
Mar	2.45	2.40	2.40	2.40
Apr	2.45	2.40	2.40	2.40
May	2.45	2.40	2.40	2.40
Jun	2.45	2.40	2.40	2.40
Jul	2.45	2.40	2.40	2.40
Aug	2.45	2.40	2.40	2.40
Sep	2.45	2.40	2.40	2.40
Oct	2.45	2.40	2.40	2.40
Nov	2.45	2.40	2.40	2.40
Dec	2.45	2.40	2.40	2.40

## NATURAL GAS (1000 BTU)

Date	High	Low	Open	Close
Dec	1.80	1.75	1.75	1.75
Jan	1.80	1.75	1.75	1.75
Feb	1.80	1.75	1.75	1.75
Mar	1.80	1.75	1.75	1.75
Apr	1.80	1.75	1.75	1.75
May	1.80	1.75	1.75	1.75
Jun	1.80	1.75	1.75	1.75
Jul	1.80	1.75	1.75	1.75
Aug	1.80	1.75	1.75	1.75
Sep	1.80	1.75	1.75	1.75
Oct	1.80	1.75	1.75	1.75
Nov	1.80	1.75	1.75	1.75
Dec	1.80	1.75	1.75	1.75

## NATURAL GAS (1000 BTU)

Date	High	Low	Open	Close
Dec	1.80	1.75	1.75	1.75
Jan	1.80	1.75	1.75	1.75
Feb	1.80	1.75	1.75	1.75
Mar	1.80	1.75	1.75	1.75
Apr	1.80	1.75	1.75	1.75
May	1.80	1.75	1.75	1.75
Jun	1.80	1.75	1.75	1.75
Jul	1.80	1.75	1.75	1.75
Aug	1.80	1.75	1.75	1.75
Sep	1.80	1.75	1.75	1.75
Oct	1.80	1.75	1.75	1.75
Nov	1.80	1.75	1.75	1.75
Dec	1.80	1.75	1.75	1.75

## GRAINS AND OIL SEEDS

## WHEAT (1000 BUSHELS)

Date	High	Low	Open	Close
Dec	22.50	22.40	22.40	22.40
Jan	22.50	22.40	22.40	22.40
Feb	22.50	22.40	22.40	22.40
Mar	22.50	22.40	22.40	22.40
Apr	22.50	22.40	22.40	22.40
May	22.50	22.40	22.40	22.40
Jun	22.50	22.40	22.40	22.40
Jul	22.50	22.40	22.40	22.40
Aug	22.50	22.40	22.40	22.40
Sep	22.50	22.40	22.40	22.40
Oct	22.50	22.40	22.40	22.40
Nov	22.50	22.40	22.40	22.40
Dec	22.50	22.40	22.40	22.40

## WHEAT (1000 BUSHELS)

Date	High	Low	Open	Close
Dec	22.50	22.40	22.40	22.40
Jan	22.50	22.40	22.40	22.40
Feb	22.50	22.40	22.40	22.40
Mar	22.50	22.40	22.40	22.40
Apr	22.50	22.40	22.40	22.40
May	22.50	22.40	22.40	22.40
Jun	22.50	22.40	22.40	22.40
Jul	22.50	22.40	22.40	22.40
Aug	22.50	22.40	22.40	22.40
Sep	22.50	22.40	22.40	22.40
Oct	22.50	22.40	22.40	22.40
Nov	22.50	22.40	22.40	22.40
Dec	22.50	22.40	22.40	22.40

## WHEAT (1000 BUSHELS)

Date	High	Low	Open	Close
Dec	22.50	22.40	22.40	22.40
Jan	22.50	22.40	22.40	22.40
Feb	22.50	22.40	22.40	22.40
Mar	22.50	22.40	22.40	22.40
Apr	22.50	22.40	22.40	22.40
May	22.50	22.40	22.40	22.40
Jun	22.50	22.40	22.40	22.40
Jul	22.50	22.40	22.40	22.40
Aug	22.50	22.40	22.40	22.40
Sep	22.50	22.40	22.40	22.40
Oct	22.50	22.40	22.40	22.40
Nov	22.50	22.40	22.40	22.40
Dec	22.50	22.40	22.40	22.40

## WHEAT (1000 BUSHELS)

Date	High	Low	Open	Close
Dec	22.50	22.40	22.40	22.40</



## The acquisition by AngloGold of the gold interests of Minorco

### Introduction

Further to the cautionary announcement of 7 December 1998, members of AngloGold are advised that AngloGold will, subject to the conditions precedent set out below, acquire the gold interests of Minorco with effect from 31 December 1998 ("the acquisition"). The purchase price is US\$550 million, which is subject to adjustment as set out below.

### Rationale for the acquisition

AngloGold has a clearly defined strategy for global diversification. The acquisition will diversify both the AngloGold asset base and its mining risk profile. Instead of AngloGold's operations being confined to three countries in Africa, they will now be located in six countries on three continents.

The mining assets to be acquired meet AngloGold's acquisition criteria:

- a low cash cost profile (below US\$200 per ounce);
- the potential to expand, while adding around some 800 000 ounces of gold to the current gold production profile; and
- remaining life of more than five years.

On the technical front, the acquisition gives AngloGold increased exposure to open pit and shallow underground mining. AngloGold's strength lies in underground mining and exploration and geological modelling which, together with its purely gold focus, will enable the company to add value to the assets acquired.

This additional value should be generated partially by funding and managing a focused exploration programme. This should result in a complete geological model to identify new resources and to enable the optimal extraction of existing orebodies. The addition of a managed hedging and market development programme provides further opportunity to add value to the assets.

### Nature of the gold interests of Minorco

Minorco's gold interests comprise mines in North and South America and gold exploration and interests, including:

- The wholly-owned Independence Mining Company incorporating:
- Pikes Peak Mining Company, which owns 66.7% of the Cripple Creek and Victor Mine, in the Cripple Creek mining district, south west of Colorado Springs, Colorado, USA.
- 70% of Jerritt Canyon Joint Venture, north west of the town of Elko, Nevada, USA.
- 50% of Serra Grande, near the town of Craxas, Brazil.
- 100% of Morro Velho near the city of Belo Horizonte, Brazil.
- 46.25% of Cerro Vanguardia, in Patagonia in the south of Argentina.

### Consideration

The purchase price for the acquisition is US\$550 million, equivalent to R3 259 million (using the noon buying rate as quoted by the Federal Reserve Bank of New York on 23 December 1998 of US\$1-R5.9250). This price will be adjusted by any third party debt attributable to Minorco's holding in these interests, by the value of net current assets, both as at 31 December 1998, and to the extent that any pre-emption rights held by the joint venture partners in Cerro Vanguardia are exercised.

It is expected that the purchase price reduction could be of the order of US\$50 million.

The consideration will be funded by a syndicated bank loan totalling US\$350 million and cash from the company's resources.

### Financial effects

The financial effects of the acquisition on the earnings per ordinary share of AngloGold for the year ended 31 December 1997 and the net asset value per ordinary share of AngloGold as at 31 December 1997, based on the assumptions that the acquisition had been effective from 1 January 1997, are as set out in the table below.

The figures in this table are based on the consolidated pro forma income statement and balance sheet prepared in line with International Accounting Standards for the circular to members of AngloGold dated 6 May 1998. These figures are for the enlarged AngloGold and using the enlarged capital (97 587 266 ordinary shares in issue). This circular, a copy of which will be made available for inspection, provides the best information available for these purposes.

	Before the acquisition	After the acquisition	Percentage Increase/(decrease)
Earnings per share*	US\$2.00	US\$1.90	(5%)
Net asset value per share	US\$30.28	US\$33.22	10%

\* Cripple Creek only reached full production in 1997

• Excludes Cerro Vanguardia which came into production in 1998

### Related party

In terms of the Listings Requirements of the Johannesburg Stock Exchange ("JSE"), the acquisition is a "related party" transaction and Anglo American Corporation of South Africa Limited ("AAC") is the related party concerned. The consequence of this is that AAC may not be taken into account in determining the quorum for the purposes of the ordinary resolution which will be proposed at the general meeting to approve the acquisition. In addition, to be effective, the ordinary resolution will have to be passed by a simple majority of the members, other than AAC and its associates, present in person or by proxy and voting at the general meeting.

### Conditions precedent

The acquisition is conditional, *inter alia*, on the following conditions precedent:

- the prior approval of the acquisition by ordinary resolution of AngloGold members; and
- regulatory approvals, including that of the South African Reserve Bank.

### Documentation

An independent technical advisor's report on the assets being acquired from Minorco, is being prepared by Steffen Robertson and Kirsten (United States) Inc. A circular, containing the above technical advisor's report and which is subject to the approval of the JSE, giving details of the acquisition and containing a notice of a general meeting of AngloGold members, is being prepared and will be posted on or about 31 December 1998.

Johannesburg  
24 December 1998

### Financial advisor



### Financial advisor and sponsoring broker



Smith Borkum Hare  
Merrill Lynch South Africa (Pty) Ltd  
Registration No. 9501/95007  
Member of the Johannesburg Stock Exchange

### Legal advisors

DENEYS REITZ  
ATTORNEYS

SHEARMAN & STERLING

## COMPANIES & FINANCE

# Barclays predicts fall in home loan volumes

By Christopher Brown-Humes

Homeowners in the UK can look forward to lower mortgage costs and a stable housing market in 1999 but lenders face the prospect of reduced loan volumes, according to Barclays Mortgage.

It says base rates could fall below 5 per cent, dragging rates down to about 8 per cent, compared with the 7.7 per cent typical today.

But there will be little, if any, growth in gross lending volumes and a fall in net lending is likely, the bank believes. This suggests another year of intense competition, exacerbated by a possible squeeze in margins, lies ahead for the main mortgage banks and building societies.

Barclays says economic slowdown will create a difficult background for the housing market in 1999, but buyer confidence is likely to rise as interest rates fall. "Homebuying activity is likely to be maintained at

modest levels supported by falling mortgage rates and house price increases just above the rate of inflation," it believes.

Despite the recovery in house prices in the last two years, transaction levels have remained sluggish. This has brought a surge in competition between lenders, resulting in keenly priced offers to new customers and a sharp rise in remortgaging, where margins are typically thinner.

Barclays expects remortgaging activity to remain strong next year, peaking at about a third of gross mortgage lending.

Competition in the market has been increased by the determination of the remaining building societies to demonstrate the advantages of mutual ownership over bank status.

In addition, new

operations such as Standard Life Bank and Egg, a direct banking arm of the Prudential, have entered the market with extremely competitive rates. So far margins have

tended to drift downwards, rather than plunge sharply.

Some pundits believe mortgage rates may have to be kept artificially high in a low-interest environment, to ensure savers - who outnumber borrowers - continue to receive reasonable returns on their investments. They also believe lenders may try to protect their margins to offset the impact of a likely rise in defaults during a slowdown.

Jim Chadwick, Barclays Mortgages' marketing director, said: "There seems to be no sign of either boom or bust in mortgage lending or the housing market. Lending is now at its most stable for a number of years." Barclays said 42 per cent of consumers expected their homes to increase in value over the next 12 months, against 51 per cent this time last year.

Nationwide, the UK's biggest building society, has forecast a 3 per cent rise in house prices next year, with sales static at about 1.3m. In 1998, prices rose by about 7 per cent.

## Capital punishment might follow Lloyd's revolution

Insurance market investment vehicles should prepare for a rough ride, writes  
Andrew Bolger

A spate of deals in the past few months at Lloyd's has underlined the rapid march in the insurance market towards the dominance of corporate capital and the growing presence of overseas groups - particularly large US and Bermudian companies.

In June, Bermuda-based Ace bought Charman Underwriting, one of the most profitable underwriting agencies at Lloyd's, for £218m (£208m) in a deal that gave it control over 9.3 per cent of the London market's capacity.

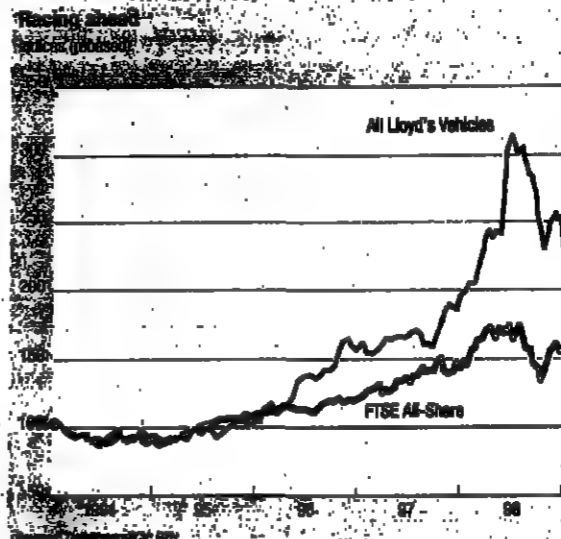
November saw the arrival of Warren Buffett, the billionaire US investor, as General Re paid about £100m for DP Mann, one of the largest remaining independent Lloyd's agencies. Berkshire Hathaway, Mr Buffett's investment group, acquired General Re, the largest US reinsurer, for \$22bn in June.

As well as these high-profile transactions, there has been a steady stream of deals in which corporate capital providers have aligned themselves with Lloyd's managing agencies to form a nascent group of integrated insurance companies.

Following the financial crisis that brought it to the brink of collapse in the early 1990s, the restructuring of Lloyd's brought in corporate investors in 1994 to replace the dwindling band of Names, the individuals whose wealth traditionally supported the market. Since then, more than £2bn of corporate capital has flowed into Lloyd's, supporting 60 per cent of the market's underwriting capacity of more than £10bn.

Next year, the proportion of capacity supported by corporates could reach 75 per cent. Meanwhile, only 6,800 Names participated in the market this year, compared with a peak of 34,000 a decade ago, and next year the figure is expected to fall to about 5,000.

Yet these corporate investors have enjoyed mixed fortunes - at least in stock market terms. More than a dozen investment vehicles were launched in 1994, but they tended to be rated as investment trusts and traded at close to their net asset



value. Things started to change after an amendment to Lloyd's - regulations allowed capital providers to take a stake - and later wholly own - the agencies that manage underwriting syndicates.

Nicholas Johnson, an analyst with Raphael Stern Hamley, the stockbroker, said these deals allowed the combined operations to cut costs and align their capital more closely with the better quality syndicates. The companies could also then hope to be valued as integrated insurers, and not just passive investors. This change in status explains the outperformance of the FT All-Share by an index comprising Lloyd's vehicles, which are now mainly - but not solely - integrated insurance businesses. The outperformance accelerated earlier this year as investors finally grasped that these companies should carry a potential consolidation premium. Sentiment was also buoyed by the fact that their results were still reflecting earlier, profitable underwriting years.

But sentiment since then has cooled markedly - partly as a result of recent stock market turbulence, but mainly because of a growing realisation that underwriting conditions are very tough and will be for the foreseeable future.

Moody's, the credit rating agency, recently warned that mounting losses and testing marketing conditions had worsened the profit outlook for syndicates trading at Lloyd's. It said the forecast was now for a profit of just 1.6 per cent of the market's underwriting capacity in 1999, compared with the 12.1 per cent return recorded in

1995. The agency has also placed loss warnings on 22 per cent of the syndicates writing in 1998 and 30 per cent of those writing in 1999.

Mark Hewlett, managing director of Moody's European property, casualty and reinsurance division, said: "Unfortunately we do not foresee any immediate improvement in insurance rates for most business classes, a key determinant of profitability, due to the large amounts of excess capital remaining in world insurance markets."

Mr Johnson predicted that there would be more consolidation among Lloyd's quoted vehicles. "There are too many companies for a sector with a market capitalisation of £2.3bn," he said. "Investors will tend to favour the bigger companies."

He also believes the process of consolidation could result in some of the existing quoted companies being taken private. Lloyd's vehicles could prove particularly attractive to Bermudian companies that are seeking new areas for expansion and could use Lloyd's name and trading licences, which cover more than 60 countries.

The perils of current trading conditions were highlighted this month when Cox, the fast-growing Lloyd's insurer, issued a profit warning - and saw its share price drop 45 per cent.

Mr Johnson said: "In the long term, people like Warren Buffett and other insurers see these businesses as valuable, but current underwriting conditions create a difficult environment. People should be in no doubt about how difficult the 1998 and 1999 underwriting years already are and are going to be."

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# INSIDE TRACK

## MANAGEMENT PRODUCT STANDARDS

### New-style quality is just a fiddle

Old-style excellence got a bad name, says **Tony Jackson**. The aim should be to provide a product consistently and make it the best you can.

**[W]e offer our customers** the UK retailer Marks and Spencer last month when warning of falling profits, "attractive prices and unbeatable quality."

One does not want to pick on poor old M&S, which is going through a rough patch these days. But the term "quality" is one of the most abused in the business lexicon. What exactly does it mean?

Our grandparents would have been in no doubt. Quality meant excellence: a thing was the best of its kind, and that was that. A Stradivarius violin had quality, a thicker fiddle did not.

In the business world, however, the word has acquired an unrecognisably different meaning. As defined by the American statistician W Edwards Deming some 50 years ago, quality means consistency, a lack of defects.

As such, it has no connection with the first meaning at all. Take the ultimate expression of business quality these days, the so-called Six Sigma programme. This aims to reduce defects to the improbably small level of 3.4 parts per million.

But a defect means only a result lying outside a specified range. The product can still be rubbish, but it must be consistent rubbish. As someone puts it in the Spice Girls' film *Spice World*, "that was perfect, girls, without actually being any good."

Whatever happened to the first definition? Shortly before the first world war, the US journalist Negley Farson visited the industrial heart of Britain. What struck him, he wrote, was the almost arrogant display of quality. A brass column or banister would be solid brass. In America, someone would have devised a

way of saving a few nickels by following it out.

Wind the tape on 50 years or so, and a different picture emerges. Around 1970, legend has it, a group of investment analysts visited a world-famous UK engineering company.

They posed the usual questions of their trade: about margins, stock turns, balance sheet ratios and so forth.

The company's executives seemed honestly puzzled. They did not see the relevance of all this, they said. Their products were the finest in the world. Why all this nit-picking about numbers?

Rolls-Royce, the company in question, only went bust in 1973. The trouble about old-style quality, it seemed, was that it pandered to the worst kind of supply-driven management.

The engineers would make the

**Artists may produce masterpieces. The job of companies was to please the market**

product to the highest possible standard and price it accordingly. If the public were Philistine enough to turn it down, so much the worse for the public.

And so old-style quality got a bad name in business circles. It was all very well for artists to produce uncompromising masterpieces. The job of companies was to please the market.

Further damage was done by the rise of Japan. When Japanese cars, toys and television sets first

reached the market in the US and UK, local manufacturers dismissed them as cheap trash.

Initially, so they were. But under the teaching of Edward Deming, the Japanese were learning about the second definition of quality.

It then began to dawn on western customers that while Japanese cars might be tin cans, they did not keep breaking down, as did both British and American cars.

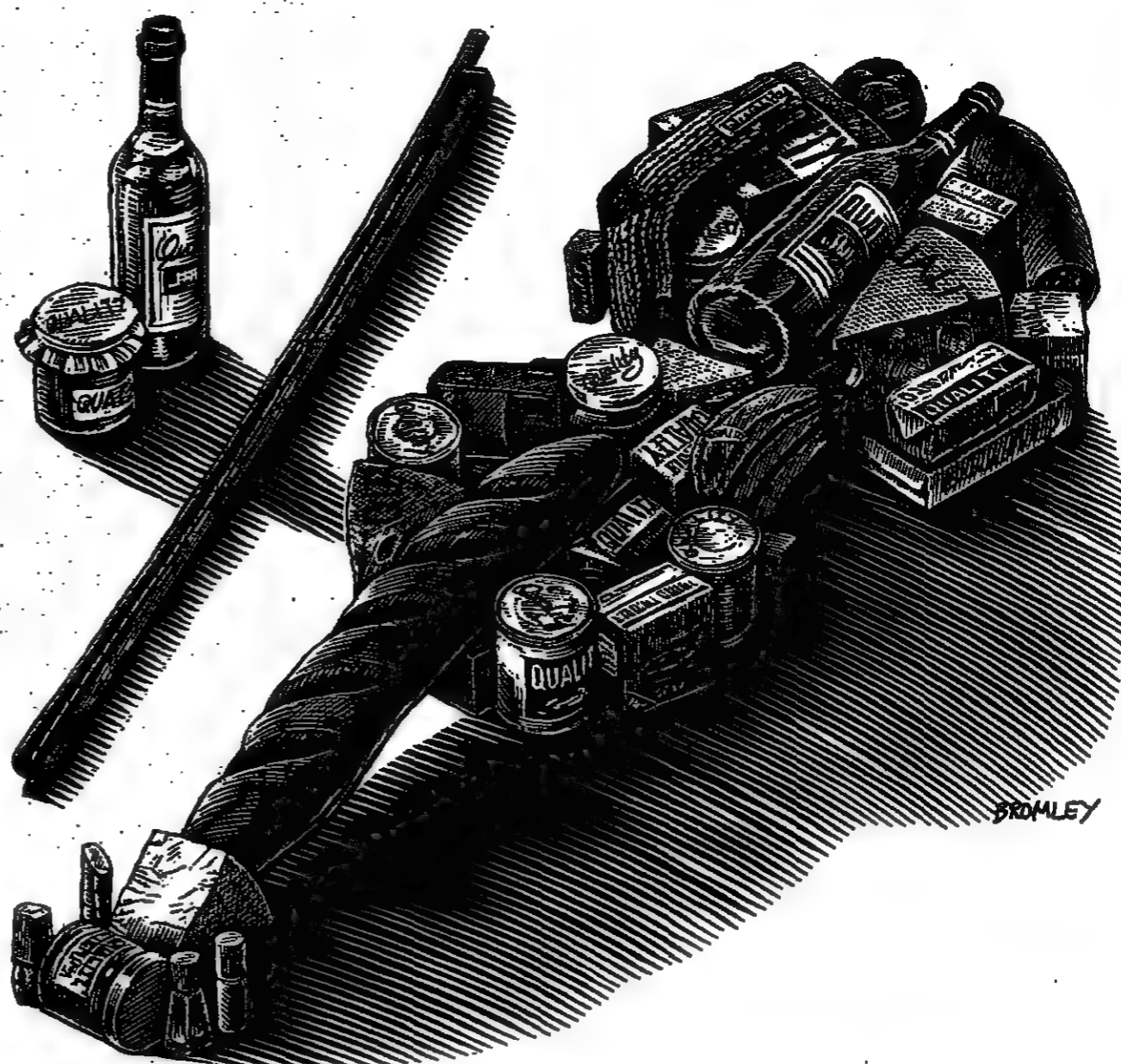
In time, of course, Japanese cars stopped being tin cans, and became stylish and comfortable vehicles instead. That is, they achieved old-style quality as well. As western manufacturers discovered to their cost, that was in some respects the easy bit. New-style quality was harder.

At this point, let us go back to M&S. We can imagine its executives getting restive by now. After all, they would not claim to sell the world's best suits or beef stroganoff: for that, you would go to Saville Row or a three-star restaurant.

But neither would they accept that their quality lies in mere consistency. One would expect a pair of M&S shoes or knickers to be the stated size, and to be efficiently cut and stitched. But one would also expect them to look and feel nice: to exhibit, in other words, a degree of quality in the older sense.

Thus quality acquires overtones of a third meaning: that of value for money. This is not an absolute concept. If I am selling a badly pressed CD of unpopular songs from the 1960s, I do not ensure quality on it merely by ensuring it is cheaper than any comparable CD. To qualify for this meaning, the article must be of a certain standard; and it should convey a sense, not of outright cheapness, but of being sold at a fair price.

Even so, this is slippery ground. The US fast food group McDonald's, for instance, talks of



its "high quality food".

But at 99c or 99p, its hamburgers are as close to absolute cheapness as any inhabitant of the developed world could reasonably desire.

They are also highly consistent. Eat a McDonald's anywhere around the world, and the result will be roughly similar - a logistical feat which is not to be sneered at.

But as anyone who has eaten a really good American hamburger

can attest, a McDonald's is also a long way from quality in the original sense. At best, it is a statistical Six Sigma job, with standard fries on the side.

McDonald's, like M&S, has had its ups and downs in the past year or two. Perhaps what is needed here is a slightly different view of quality: one which aims at consistency, but at the same time tries to achieve an old-fashioned type of excellence.

When Negley Farson was in

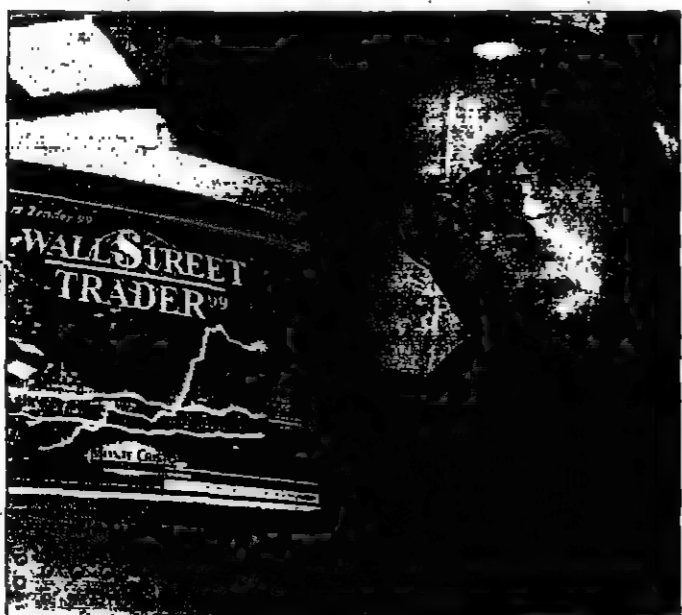
Britain all those years ago, he worked briefly as a salesman for a Manchester engineering company which claimed to make the best chain in the world. When he received an inquiry from a prospective US customer, he instructed the works - in the usual American way - to make up a special sample.

The boss promptly appeared in Mr Farson's office, "half out of his mind with rage", and banged the offending sample on the desk.

"Every foot of my chain", he shouted, "is just as good as every other foot!"

Doubtless the company in question went bust in its turn. But Mr Farson's boss was ahead of his time. Find out what people want and provide it consistently; but at the same time, make it the best you can.

It sounds a tall order. But in today's markets, customers are in charge. And why should they accept any less?



Sharing the thrills: de Pety with his game Wall Street Trader. David Ahmed

## TECHNOLOGY COMPUTER GAMES

### Dealing a share of reality

**Peter John** on a PC-based stock market simulator game that combines genuine scenarios and bolted-on video clips

**[B]uy... sell... hold... click.** Real financial markets may be scary enough, but virtual markets can be even more frightening.

Jean Marc de Pety, a Frenchman and former stock broker, has used his five years experience with Paribas and CSFB to meld global financial markets into *Wall Street Trader*, which is claimed to be the world's first PC-based stock market simulator.

With ex-management consultant Jean-Christophe Marquis, Mr de Pety has taken a range of

genuine market scenarios and bolted on the kind of video clips that one would expect to find on Tomb Raider.

Their company - Monte Cristo Multimedia - has analysed 55 of the world's biggest stocks, as well as the impact of the G7 currencies, the oil market and the price of gold. Finally, it has factored in the effect of 400 market-moving stories from the past few years.

There are news stories from a pink paper called *The Financial Drive* as well as tips from dis-

tinctly shady "insiders".

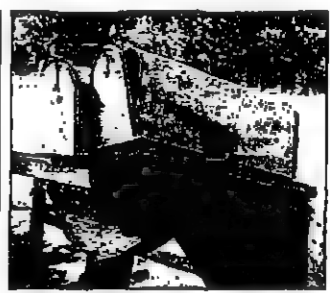
"The public does not want to read a heavy book of mathematical formulae," says Mr de Pety. "Our main ambition is not only to let people have entertainment but also make people realise that inflation has an influence on interest rates, which have an influence on employment, which has an influence on growth, which has an influence on policy etcetera."

The formula appears to be working. The game has achieved break-even sales of 50,000 on the

continent and has just launched in the UK. It has also received the seal of approval from the French Ministry of Education.

Nick Morgan, 14-year-old son of an FT stock market specialist, points out that the game is not as complicated as real life; but neither can you lose millions of real pounds.

With the prospect of further heavy restructuring in the real City next year, many brokers must be wishing they too could spend their time in a virtual world, hobnobbing with characters such as Lord Fleming, the "billionaire and renowned investment wizard".



Mailboxing clever

## IT COMMUNICATIONS

### Mailbox delivers 24 hours a day

The days of the computer modem may be numbered with the advent of the Tixi-Mail Box, a new communication device which automatically sends and receives messages whether the computer is switched on or not.

Effectively an electronic mailbox for use in a home office or networked business, the unit can send and receive messages 24 hours a day. It is claimed to be the first device which can operate independently of the internet, ensuring high levels of protection for networks, PCs and individual messages.

Unlike standard modems, the product will store fax and e-mail messages before it sends or transfers them, putting a barrier between the PC and the telephone network. Once up and running, the mailbox automatically picks up the user's fax and e-mail messages and can also be set to send messages at any time in the future. Lights on the unit indicate when there are messages waiting.

With a base memory of 2MB, the mailbox will store up to 1,000 e-mails or around 100 fax pages at any one time. All information sent from the Tixi-Mail Box is compressed, helping to reduce running costs and increase communication speeds by up to 100 times those of conventional fax messages.

Tixi.Com, the German company which is behind the launch, says the mailbox will help cut costs and improve communications among all types of user.

Typical candidates, according to the company, range from the home worker or small company running a local area network to larger, multi-site operations where there may be a need to communicate at all hours of the day and night.

www.tixi.com

Nick Cottam

## MANAGEMENT TEAM-BUILDING

### Fragging at the Cyber Café

**Richard Donkin** asks whether computer battle games are a valuable tool in developing modern business skills or just a way of letting off steam

**[T]he room had a red flag** on one side and a blue flag on the other. Sitting at the computer screens with bottles of Rolling Rock lager placed strategically by their keyboards were young besuited men and a woman from Fleming's Life.

Fleming's pooled pension business. Not that the on-screen characters they were manipulating with joysticks were going to need a pension. The average lifespan of their virtual warriors was probably no more than 20 seconds before they were blasted into bloody chunks by a colleague.

We were playing *Quake II*, a game that involves flat-headed, square-jawed hulks, carrying large weapons, blasting each other as they roam corridors and rooms. In this setting at the Shoot'n Surf Cyber Café in New Oxford Street, London, the computers were networked, allowing players to form teams and engage in battles with each other. Our solitary woman, Helen, was transformed on screen into a tall and lissome, mean-faced dominatrix with a pony tail.

We had microphones and headsets but the conversation did not amount to much more than the odd cheer at an opponent's demise. This is play in a moral vacuum, careless and carefree. Can it make any possible contribution to the way people do their daily jobs? Paul Flanagan, founder of Cybernetic Productions, the organisers of this corporate gaming event, believes so. "We're trying to give people an entertaining time but we're also teaching them a lesson through cosmetics; that they need to talk to each other," he says.

Mr Flanagan became attracted to the power of computer games in the workplace when he

'We're trying to entertain people but we're also teaching them... they need to talk to each other'

worked at J.P. Morgan and Citibank. Colleagues were arriving early and staying late to play them. In some dealing rooms the play was causing systems problems. Traders at SBC Warburg, Dillon Read were warned once to stop playing a game called *Doom* because of the pressure it was placing on the computer system.

Devotees of *Quake II* have developed a language that borrows partly from computer terminology and partly from the US military. Killing an opponent is called "ragging". This has echoes of the management practice

of downsizing - in the US Marines, to "rag" means to kill one of your own people.

In our game everyone seemed to kill everyone else constantly. The successful tactic is to keep moving, firing from the hip - again, familiar to management.

But was anyone learning anything? Not at that stage, apart from the various moves and weapons capabilities. The learning is supposed to come later when players are divided into teams and given the objective of capturing their opponents' flag. This is when a leader emerges and everyone begins to work as a unit with a single aim.

"Out of the mayhem of explosions, machine gun fire, base assaults and individual heroism, the team which communicates best will dominate," says the Cybernetic Productions blurb. The implication is clear - no one talks to each other at work any more, so they can learn how to socialise again by sitting in front of television screens blasting each other to pieces.

The US Marines has used such games for training. But then its job really is to kill people. The main attraction for City traders seems to be corporate entertainment and out of hours bonding.

So is it worth it? If you enjoyed the paintball craze that swept the UK some years ago you might get something out of it. There is no fresh air but it is cheaper and closer to the office. But then so are darts and dominoes.

Cybernetic Productions, tel 04 371 222 3518



Battle field: computer games may be a useful workplace teaching tool

David Ahmed

## EURO PRICES

## EQUITIES

## Upbeat Daimler powers ahead

By Jeffrey Brown

European equity markets moved higher yesterday as investors returned from the Christmas break in a positive mood. Although London was closed and trading levels elsewhere were seasonally thin, all the main indices gained ground.

The FTSE Eurotop 100 index finished the day with a gain of 14.63 to 2,734.38 while the more broadly based FTSE Eurozone 300 index ended at 1,186.57, a rise of 8.20.

There was an equally posi-

tive performance from the FTSE Ebluc 100 index, which tracks the shares of the largest companies from countries due to join the economic and monetary union next month. It improved 10.72 to 986.77.

Motors were in the thick of the action following upbeat comments by the management of German car giant DaimlerChrysler. Automobiles rose 3.55 per cent, largely on the back of a step gain for DaimlerChrysler, which predicted profits would be significantly higher in 1999.

Other sectors to spark included diversified indus-

tries, which rose 2.13 per cent, and information technology, where the gains extended to 4.62 per cent. Gas distribution rose 2.45 per cent, buoyed mostly by a Spanish leader Gas Natural.

The telecommunications sector, up 0.51 per cent, managed to attract a flurry of selling, notably among German telecoms stocks, which lost ground on competition concerns. Both France Telecom and Deutsche Telekom were weak.

The day's broad movement will take comfort from one of the first broker publications - from Salomon Smith Barney - to take a specific

approach to the euro-zone, the world's second largest equity market with 17 per cent of global capitalisation. Salomon expects the new year, which contains almost a quarter of the world's leading 200 companies, to "get off to a flying start next year", partly through technical reasons associated with pent-up demand.

Yet the broker sees 9 per cent fundamental upside, and says strong demand could fuel much bigger gains. It picks financials and sectors like technology, media and drugs as the likely winners in 1999.

## CURRENCIES &amp; MONEY

## FT SYNTHETIC EURO RATES

Dec 28	Currency	Dec 28	Dec 27	Dec 26	Dec 25	Dec 24
Switzerland	CHF	1.457728	-0.0002	-0.0002	-0.0002	-0.0002
Austria	AT	13.7603	-0.0001	-0.0001	-0.0001	-0.0001
Belgium	BF	41.21877	-0.0001	-0.0001	-0.0001	-0.0001
Czech Republic	CZK	35.72993	-0.0001	-0.0001	-0.0001	-0.0001
Denmark	DKK	7.46037	-0.0001	-0.0001	-0.0001	-0.0001
France	FF	6.55957	-0.0001	-0.0001	-0.0001	-0.0001
Germany	DM	1.93627	-0.0001	-0.0001	-0.0001	-0.0001
Greece	GR	200.48402	-0.0001	-0.0001	-0.0001	-0.0001
Ireland	IR	2.70637	-0.0001	-0.0001	-0.0001	-0.0001
Italy	L	1.93627	-0.0001	-0.0001	-0.0001	-0.0001
Luxembourg	FL	2.33637	-0.0001	-0.0001	-0.0001	-0.0001
Netherlands	GL	2.33637	-0.0001	-0.0001	-0.0001	-0.0001
Norway	NOK	4.75637	-0.0001	-0.0001	-0.0001	-0.0001
Poland	PL	1.93627	-0.0001	-0.0001	-0.0001	-0.0001
Portugal	P	200.48402	-0.0001	-0.0001	-0.0001	-0.0001
Romania	R	1.93627	-0.0001	-0.0001	-0.0001	-0.0001
Russia	RUB	1.93627	-0.0001	-0.0001	-0.0001	-0.0001
Slovakia	S	1.93627	-0.0001	-0.0001	-0.0001	-0.0001
Spain	SP	1.93627	-0.0001	-0.0001	-0.0001	-0.0001
Sweden	SEK	5.46037	-0.0001	-0.0001	-0.0001	-0.0001
Switzerland	CHF	1.457728	-0.0002	-0.0002	-0.0002	-0.0002
United Kingdom	GB	1.93627	-0.0001	-0.0001	-0.0001	-0.0001
USA	US	1.01627	-0.0001	-0.0001	-0.0001	-0.0001
Australia	AUS	1.43637	-0.0001	-0.0001	-0.0001	-0.0001
Canada	CA	1.34404	-0.0001	-0.0001	-0.0001	-0.0001
China	CNY	1.93627	-0.0001	-0.0001	-0.0001	-0.0001
India	INR	1.93627	-0.0001	-0.0001	-0.0001	-0.0001
Japan	JPY	137.81200	-0.0001	-0.0001	-0.0001	-0.0001
Singapore	S	1.93627	-0.0001	-0.0001	-0.0001	-0.0001
South Africa	SA	1.93627	-0.0001	-0.0001	-0.0001	-0.0001
South Korea	SK	1.93627	-0.0001	-0.0001	-0.0001	-0.0001
Taiwan	T	1.93627	-0.0001	-0.0001	-0.0001	-0.0001
Thailand	TH	1.93627	-0.0001	-0.0001	-0.0001	-0.0001
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Germany	DE	1.93627	-0.0001	-0.0001	-0.0001	-0.0001
Italy	IT	1.93627	-0.0001	-0.0001	-0.0001	-0.0001
Netherlands	NL	1.93627	-0.0001	-0.0001	-0.0001	-0.0001
Spain	ES	1.93627	-0.0001	-0.0001	-0.0001	-0.0001
Sweden	SE	1.93627	-0.0001	-0.0001	-0.0001	-0.0001
Switzerland	CH	1.93627	-0.0001	-0.0001	-0.0001	-0.0001
USA	US	1.93627	-0.0001	-0.0001	-0.0001	-0.0001
UK	UK	1.93627	-0.0001	-0.0001	-0.0001	-0.0001
France	FR	1.93627	-0.0001	-0.0001	-0.0001	-0.0001
Germany	DE	1.93627	-0.0001	-0.0001	-0.0001	-0.0001
Italy	IT	1.93627	-0.0001	-0.0001	-0.0001	-0.0001
Netherlands	NL	1.93627	-0.0001	-0.0001	-0.0001	-0.0001
Spain	ES	1.93627	-0.0001	-0.0001	-0.0001	-0.0001
Sweden	SE	1.93627	-0.0001	-0.0001	-0.0001	-0.0001
Switzerland	CH	1.93627	-0.0001	-0.0001	-0.0001	-0.0001
USA	US	1.93627	-0.0001	-0.0001	-0.0001	-0.0001
UK	UK	1.93627	-0.0001	-0.0001	-0.0001	-0.0001
France	FR	1.93627	-0.0001	-0.0001	-0.0001	-0.0001
Germany	DE	1.93627	-0.0001	-0.0001	-0.0001	-0.0001
Italy	IT	1.93627	-0.0001	-0.0001	-0.0001	-0.0001
Netherlands	NL	1.93627	-0.0001	-0.0001	-0.0001	-0.0001
Spain	ES	1.93627	-0.0001	-0.0001	-0.0001	-0.0001
Sweden	SE	1.93627	-0.0001	-0.0001	-0.0001	-0.0001
Switzerland	CH	1.93627	-0.0001	-0.0001	-0.0001	-0.0001
USA	US	1.93627	-0.0001	-0.0001	-0.0001	-0.0001
UK	UK	1.93627	-0.0001	-0.0001	-0.0001	-0.0001
France	FR	1.93627	-0.0001	-0.0001	-0.0001	-0.0001
Germany	DE	1.93627	-0.0001	-0.0001	-0.0001	-0.0001
Italy	IT	1.93627	-0.0001	-0.0001	-0.0001	-0.0001
Netherlands	NL	1.93627	-0.0001	-0.0001	-0.0001	-0.0001
Spain	ES	1.93627	-0.0001	-0.0001	-0.0001	-0.0001
Sweden	SE	1.93627	-0.0001	-0.0001	-0.0001	-0.0001
Switzerland	CH	1.93627	-0.0001	-0.0001	-0.0001	-0.0001
USA	US	1.93627	-0.0001	-0.0001	-0.0001	-0.0001
UK	UK	1.93627	-0.0001	-0.0001	-0.0001	-0.0001
France	FR	1.93627	-0.0001	-0.0001	-0.0001	-0.0001
Germany	DE	1.93627	-0.0001	-0.0001	-0.0001	-0.0001
Italy	IT	1.93627	-0.0001	-0.0001	-0.0001	-0.0001
Netherlands	NL	1.93627	-0.0001	-0.0001	-0.0001	-0.0001
Spain	ES	1.93627	-0.0001	-0.0001	-0.0001	-0.0001
Sweden	SE	1.93627	-0.0001	-0.0001	-0.0001	-0.0001
Switzerland	CH	1.93627	-0.0001	-0.0001	-0.0001</	

## DOLLAR SPOT FORWARD AGAINST THE DOLLAR

	min-point	in city	spread	high	low	ratio	W
Europe							
Australia	12.11	14.1400	0.0001	17.0000	11.0000	0.0000	

Country	Year	Value	Value	Value	Value			
Denmark	(Dkr)	6.3857	-0.0045	857	80	6.4250	6.3873	6.3807
Finland	(Fmk)	5.1940	-0.0045	151	065	5.1170	5.1038	5.0836
France	(FFr)	6.8210	-0.0022	296	325	5.4642	5.6295	5.5197
Germany	(DM)	1.5790	-0.0033	786	795	1.5841	1.5913	1.5757
Greece	(Dr)	202.020	-0.0044	536	120	203.070	200.820	201.425
Ireland	(Ir£)	1.4787	-0.0016	787	807	1.4987	1.4973	1.4828
Italy	(Lit)	1.582.265	-1	374	300	1.607.50	1.602.55	1.599.265
Japan	(Y)	34.000	-0.0022	933	925	34.000	34.000	34.000
Netherlands	(Gld)	1.2615	-0.0019	933	925	1.2679	1.2695	1.2685
Norway	(Nkr)	7.5454	-0.0022	930	937	7.5740	7.5820	7.5849
Portugal	(Esc)	172.260	-0.02	136	250	172.510	173.100	171.075

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353	2354	2355	2356	2357	2358	2359	2360	2361	2362	2363	2364	2365	2366	2367	2368	2369	2370	2371	2372	2373	2374	2375	2376	2377	2378	2379	2380	2381	2382	2383	2384	2385	2386	2387	2388	2389	2390	2391	2392	2393	2394	2395	2396	2397	2398	2399	2400	2401	2402	2403	2404	2405	2406	2407	2408	2409	2410	2411	2412	2413	2414	2415	2416	2417	2418	2419	2420	2421	2422	2423	2424	2425	2426	2427	2428	2429	2430	2431	2432	2433	2434	2435	2436	2437	2438	2439	2440	2441	2442	2
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[illegible][illegible]

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Date 3/4	Short notice	7 days notice	One month	Three months	Six months	One year
Belgian Franc	21 1/4	21 3/4	21 3/4	21 3/4	21 3/4	21 3/4
Danish Krone	43 1/4	43 1/4	44	44	44 1/4	44 1/4
German Mark	21 1/4	21 1/4	21 1/4	21 1/4	21 1/4	21 1/4
Common Dollar	21 1/4	21 1/4	21 1/4	21 1/4	21 1/4	21 1/4
Greece Drachma	21 1/4	21 1/4	21 1/4	21 1/4	21 1/4	21 1/4
Irish Pound	21 1/4	21 1/4	21 1/4	21 1/4	21 1/4	21 1/4
Portuguese Escudo	21 1/4	21 1/4	21 1/4	21 1/4	21 1/4	21 1/4
Spanish Peseta	21 1/4	21 1/4	21 1/4	21 1/4	21 1/4	21 1/4
Swedish Krona	21 1/4	21 1/4	21 1/4	21 1/4	21 1/4	21 1/4
Swiss Franc	21 1/4	21 1/4	21 1/4	21 1/4	21 1/4	21 1/4
United Kingdom	21 1/4	21 1/4	21 1/4	21 1/4	21 1/4	21 1/4
Yugoslav Dinar	21 1/4	21 1/4	21 1/4	21 1/4	21 1/4	21 1/4

<b>IN THREE MONTH BOND/COLLAR (Basis) \$1m points of 100%</b>							
	Open	Last	Change	High	Low	Est. vol	Open Int.
Mar	95.00	94.97	+0.01	95.01	94.95	34,978	903,421
Apr	94.98	94.98	+0.02	95.04	94.92	43,267	435,471
May	94.69	95.00	+0.03	95.03	94.69	36,765	391,664

<b>IN US TREASURY BILL FUTURES (Basis) \$1m per 100%</b>							
	Open	Last	Change	High	Low	High	Low
Mar	95.82	95.82	-0.01	95.70	95.81	413	1,709
Jun	95.70	95.70	+0.02	95.70	95.68	14	70

All Open Interest Figs. are for previous day


**U.S. \$120,000,000**  
**Subordinated Floating Rate Depositary**  
**Receipts due 2000**  
*Issued by Bankers Trust Company Limited*  
*evidencing entitlement to payments of*  
*principal and interest on deposits*  
*made on 27th June, 1990 with the*  
*Frankfurt Branch of*  
**Banco di Sicilia S.p.A.**  
*(Established in the Republic of Italy as a*

**BdS**  
BANCO di SICILIA

For the six month period 29th December, 1998 to 28th June, 1999 the Receipts will carry an interest rate of 5.7475% per annum with an interest amount of U.S. \$2,889.72 per U.S. \$100,000 Receipts. The relevant Interest Payment Date will be 28th June, 1999.

**Bankers Trust  
Company, London**

**Agent Bank**

  
**COMPTOIRS  
MODERNES**

COMPTOIRS MODERNES has acquired 100 % of LOIAS AMERICANA'S supermarket operations in Brazil. Mostly located in the São Paulo state, these 23 stores realize net sales of around 500 millions reais. At the beginning of 1999, 19 stores will take the

Already active in Spain and in Poland, COMPTOIRS MODERNES develops its international strategy with this operation, with the help of the CARREFOUR group.

**NOTICES IS HEREBY GIVEN** that pursuant to Condition 6.03 of the Notes all of the outstanding Notes will be redeemed by the Issuer on February 12, 1999 (the "Redemption Date"). The Issuer will redeem the Notes at their Principal Amount together with accrued interest to the Redemption Date. Interest on the Notes shall cease to accrue thereafter and the coupons for any such interest maturing after the Redemption Date shall be void, irrespective of whether or not such Notes and coupons have been surrendered for payment. The Notes are being redeemed pursuant to the provisions of the Indenture Agreement, dated as of November 22, 1997 between the Issuer and Citibank N.A.

**Principal Paying Agent**  
Citibank N.A.  
5 Columbus Street  
London EC4A 3DF, UK

**Paying Agent**  
Banque Paribas Luxembourg  
18 Boulevard de la  
Liberté  
L-2093 Luxembourg

**Paying Agent**  
Morgan Guaranty Trust Company of New York  
Autumn Avenue, New York NY  
10040, United States

**KINGDOM OF SWEDEN**  
**Stockholm**

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Highs & Lows shown on a 52 week basis

# WORLD STOCK MARKETS

EUROPE		ASIA		AFRICA		AMERICAS	
Index	Value	Index	Value	Index	Value	Index	Value
FTSE 100 (Dec 29 / Fri)	4,247.10	Nikkei 225 (Dec 29 / Fri)	14,267.00	FTSE Africa (Dec 29 / Fri)	1,111.00	S&P 500 (Dec 29 / Fri)	7,111.00
DAX (Dec 29 / Fri)	3,111.00	Hang Seng (Dec 29 / Fri)	10,111.00	FTSE Latin America (Dec 29 / Fri)	1,111.00	FTSE Brazil (Dec 29 / Fri)	1,111.00
CAC 40 (Dec 29 / Fri)	2,111.00	Shanghai (Dec 29 / Fri)	1,111.00	FTSE India (Dec 29 / Fri)	1,111.00	FTSE Russia (Dec 29 / Fri)	1,111.00
IBEX 35 (Dec 29 / Fri)	1,111.00	Beijing (Dec 29 / Fri)	1,111.00	FTSE China (Dec 29 / Fri)	1,111.00	FTSE Korea (Dec 29 / Fri)	1,111.00
ATX 20 (Dec 29 / Fri)	1,111.00	Taipei (Dec 29 / Fri)	1,111.00	FTSE Japan (Dec 29 / Fri)	1,111.00	FTSE Australia (Dec 29 / Fri)	1,111.00
STOXX 50 (Dec 29 / Fri)	1,111.00	Seoul (Dec 29 / Fri)	1,111.00	FTSE New Zealand (Dec 29 / Fri)	1,111.00	FTSE Canada (Dec 29 / Fri)	1,111.00
EURO STOXX 50 (Dec 29 / Fri)	1,111.00	Osaka (Dec 29 / Fri)	1,111.00	FTSE Hong Kong (Dec 29 / Fri)	1,111.00	FTSE Mexico (Dec 29 / Fri)	1,111.00
FTSE MIB (Dec 29 / Fri)	1,111.00	Manila (Dec 29 / Fri)	1,111.00	FTSE Singapore (Dec 29 / Fri)	1,111.00	FTSE Chile (Dec 29 / Fri)	1,111.00
FTSE ASE (Dec 29 / Fri)	1,111.00	Bangkok (Dec 29 / Fri)	1,111.00	FTSE Indonesia (Dec 29 / Fri)	1,111.00	FTSE Peru (Dec 29 / Fri)	1,111.00
FTSE BVL (Dec 29 / Fri)	1,111.00	Jakarta (Dec 29 / Fri)	1,111.00	FTSE Malaysia (Dec 29 / Fri)	1,111.00	FTSE Colombia (Dec 29 / Fri)	1,111.00
FTSE WSE (Dec 29 / Fri)	1,111.00	Singapore (Dec 29 / Fri)	1,111.00	FTSE Philippines (Dec 29 / Fri)	1,111.00	FTSE Venezuela (Dec 29 / Fri)	1,111.00
FTSE BOV (Dec 29 / Fri)	1,111.00	Colombo (Dec 29 / Fri)	1,111.00	FTSE Thailand (Dec 29 / Fri)	1,111.00	FTSE Argentina (Dec 29 / Fri)	1,111.00
FTSE LSE (Dec 29 / Fri)	1,111.00	Kuala Lumpur (Dec 29 / Fri)	1,111.00	FTSE Vietnam (Dec 29 / Fri)	1,111.00	FTSE Uruguay (Dec 29 / Fri)	1,111.00
FTSE NYSE (Dec 29 / Fri)	1,111.00	Stockholm (Dec 29 / Fri)	1,111.00	FTSE Cambodia (Dec 29 / Fri)	1,111.00	FTSE Paraguay (Dec 29 / Fri)	1,111.00
FTSE OMX (Dec 29 / Fri)	1,111.00	Helsinki (Dec 29 / Fri)	1,111.00	FTSE Laos (Dec 29 / Fri)	1,111.00	FTSE Bolivia (Dec 29 / Fri)	1,111.00
FTSE CSE (Dec 29 / Fri)	1,111.00	Tallinn (Dec 29 / Fri)	1,111.00	FTSE Myanmar (Dec 29 / Fri)	1,111.00	FTSE Ecuador (Dec 29 / Fri)	1,111.00
FTSE JSE (Dec 29 / Fri)	1,111.00	Riga (Dec 29 / Fri)	1,111.00	FTSE Brunei (Dec 29 / Fri)	1,111.00	FTSE Guatemala (Dec 29 / Fri)	1,111.00
FTSE KSE (Dec 29 / Fri)	1,111.00	Vilnius (Dec 29 / Fri)	1,111.00	FTSE Timor (Dec 29 / Fri)	1,111.00	FTSE El Salvador (Dec 29 / Fri)	1,111.00
FTSE SSE (Dec 29 / Fri)	1,111.00	Warsaw (Dec 29 / Fri)	1,111.00	FTSE Mozambique (Dec 29 / Fri)	1,111.00	FTSE Honduras (Dec 29 / Fri)	1,111.00
FTSE ZSE (Dec 29 / Fri)	1,111.00	Bucharest (Dec 29 / Fri)	1,111.00	FTSE Botswana (Dec 29 / Fri)	1,111.00	FTSE Nicaragua (Dec 29 / Fri)	1,111.00
FTSE BSE (Dec 29 / Fri)	1,111.00	Sofia (Dec 29 / Fri)	1,111.00	FTSE Lesotho (Dec 29 / Fri)	1,111.00	FTSE Costa Rica (Dec 29 / Fri)	1,111.00
FTSE ASE (Dec 29 / Fri)	1,111.00	Prague (Dec 29 / Fri)	1,111.00	FTSE Swaziland (Dec 29 / Fri)	1,111.00	FTSE Panama (Dec 29 / Fri)	1,111.00
FTSE WSE (Dec 29 / Fri)	1,111.00	Bratislava (Dec 29 / Fri)	1,111.00	FTSE Namibia (Dec 29 / Fri)	1,111.00	FTSE Dominican Republic (Dec 29 / Fri)	1,111.00
FTSE BOV (Dec 29 / Fri)	1,111.00	Poznan (Dec 29 / Fri)	1,111.00	FTSE Zimbabwe (Dec 29 / Fri)	1,111.00	FTSE Haiti (Dec 29 / Fri)	1,111.00
FTSE LSE (Dec 29 / Fri)	1,111.00	Katowice (Dec 29 / Fri)	1,111.00	FTSE Malawi (Dec 29 / Fri)	1,111.00	FTSE Cuba (Dec 29 / Fri)	1,111.00
FTSE NYSE (Dec 29 / Fri)	1,111.00	Wroclaw (Dec 29 / Fri)	1,111.00	FTSE Mauritius (Dec 29 / Fri)	1,111.00	FTSE North Korea (Dec 29 / Fri)	1,111.00
FTSE OMX (Dec 29 / Fri)	1,111.00	Lodz (Dec 29 / Fri)	1,111.00	FTSE Seychelles (Dec 29 / Fri)	1,111.00	FTSE South Korea (Dec 29 / Fri)	1,111.00
FTSE CSE (Dec 29 / Fri)	1,111.00	Gdansk (Dec 29 / Fri)	1,111.00	FTSE Tonga (Dec 29 / Fri)	1,111.00	FTSE Japan (Dec 29 / Fri)	1,111.00
FTSE JSE (Dec 29 / Fri)	1,111.00	Bydgoszcz (Dec 29 / Fri)	1,111.00	FTSE Samoa (Dec 29 / Fri)	1,111.00	FTSE Australia (Dec 29 / Fri)	1,111.00
FTSE KSE (Dec 29 / Fri)	1,111.00	Opole (Dec 29 / Fri)	1,111.00	FTSE Kiribati (Dec 29 / Fri)	1,111.00	FTSE New Zealand (Dec 29 / Fri)	1,111.00
FTSE SSE (Dec 29 / Fri)	1,111.00	Legnica (Dec 29 / Fri)	1,111.00	FTSE Tuvalu (Dec 29 / Fri)	1,111.00	FTSE Canada (Dec 29 / Fri)	1,111.00
FTSE ZSE (Dec 29 / Fri)	1,111.00	Radom (Dec 29 / Fri)	1,111.00	FTSE Niue (Dec 29 / Fri)	1,111.00	FTSE Mexico (Dec 29 / Fri)	1,111.00
FTSE BSE (Dec 29 / Fri)	1,111.00	Gliwice (Dec 29 / Fri)	1,111.00	FTSE Cook Islands (Dec 29 / Fri)	1,111.00	FTSE Chile (Dec 29 / Fri)	1,111.00
FTSE ASE (Dec 29 / Fri)	1,111.00	Chorzow (Dec 29 / Fri)	1,111.00	FTSE Tokelau (Dec 29 / Fri)	1,111.00	FTSE Peru (Dec 29 / Fri)	1,111.00
FTSE WSE (Dec 29 / Fri)	1,111.00	Wloclaw (Dec 29 / Fri)	1,111.00	FTSE Wallis & Futuna (Dec 29 / Fri)	1,111.00	FTSE Colombia (Dec 29 / Fri)	1,111.00
FTSE BOV (Dec 29 / Fri)	1,111.00	Bytom (Dec 29 / Fri)	1,111.00	FTSE French Polynesia (Dec 29 / Fri)	1,111.00	FTSE Venezuela (Dec 29 / Fri)	1,111.00
FTSE LSE (Dec 29 / Fri)	1,111.00	Siemianowice Slaskie (Dec 29 / Fri)	1,111.00	FTSE Easter Island (Dec 29 / Fri)	1,111.00	FTSE Argentina (Dec 29 / Fri)	1,111.00
FTSE NYSE (Dec 29 / Fri)	1,111.00	Wielun (Dec 29 / Fri)	1,111.00	FTSE Christmas Island (Dec 29 / Fri)	1,111.00	FTSE Uruguay (Dec 29 / Fri)	1,111.00
FTSE OMX (Dec 29 / Fri)	1,111.00	Wysokimazowie (Dec 29 / Fri)	1,111.00	FTSE Johnston Island (Dec 29 / Fri)	1,111.00	FTSE Paraguay (Dec 29 / Fri)	1,111.00
FTSE CSE (Dec 29 / Fri)	1,111.00	Wroclaw (Dec 29 / Fri)	1,111.00	FTSE Jarvis Island (Dec 29 / Fri)	1,111.00	FTSE Bolivia (Dec 29 / Fri)	1,111.00
FTSE JSE (Dec 29 / Fri)	1,111.00	Opole (Dec 29 / Fri)	1,111.00	FTSE Line Islands (Dec 29 / Fri)	1,111.00	FTSE Ecuador (Dec 29 / Fri)	1,111.00
FTSE KSE (Dec 29 / Fri)	1,111.00	Legnica (Dec 29 / Fri)	1,111.00	FTSE Christmas Island (Dec 29 / Fri)	1,111.00	FTSE Guatemala (Dec 29 / Fri)	1,111.00
FTSE SSE (Dec 29 / Fri)	1,111.00	Chorzow (Dec 29 / Fri)	1,111.00	FTSE Christmas Island (Dec 29 / Fri)	1,111.00	FTSE El Salvador (Dec 29 / Fri)	1,111.00
FTSE ZSE (Dec 29 / Fri)	1,111.00	Wloclaw (Dec 29 / Fri)	1,111.00	FTSE Christmas Island (Dec 29 / Fri)	1,111.00	FTSE Honduras (Dec 29 / Fri)	1,111.00
FTSE BSE (Dec 29 / Fri)	1,111.00	Bytom (Dec 29 / Fri)	1,111.00	FTSE Christmas Island (Dec 29 / Fri)	1,111.00	FTSE Nicaragua (Dec 29 / Fri)	1,111.00
FTSE ASE (Dec 29 / Fri)	1,111.00	Siemianowice Slaskie (Dec 29 / Fri)	1,111.00	FTSE Christmas Island (Dec 29 / Fri)	1,111.00	FTSE Costa Rica (Dec 29 / Fri)	1,111.00
FTSE WSE (Dec 29 / Fri)	1,111.00	Wielun (Dec 29 / Fri)	1,111.00	FTSE Christmas Island (Dec 29 / Fri)	1,111.00	FTSE Panama (Dec 29 / Fri)	1,111.00
FTSE BOV (Dec 29 / Fri)	1,111.00	Wysokimazowie (Dec 29 / Fri)	1,111.00	FTSE Christmas Island (Dec 29 / Fri)	1,111.00	FTSE Dominican Republic (Dec 29 / Fri)	1,111.00
FTSE LSE (Dec 29 / Fri)	1,111.00	Wroclaw (Dec 29 / Fri)	1,111.00	FTSE Christmas Island (Dec 29 / Fri)	1,111.00	FTSE Haiti (Dec 29 / Fri)	1,111.00
FTSE NYSE (Dec 29 / Fri)	1,111.00	Opole (Dec 29 / Fri)	1,111.00	FTSE Christmas Island (Dec 29 / Fri)	1,111.00	FTSE Cuba (Dec 29 / Fri)	1,111.00
FTSE OMX (Dec 29 / Fri)	1,111.00	Legnica (Dec 29 / Fri)	1,111.00	FTSE Christmas Island (Dec 29 / Fri)	1,111.00	FTSE North Korea (Dec 29 / Fri)	1,111.00
FTSE CSE (Dec 29 / Fri)	1,111.00	Chorzow (Dec 29 / Fri)	1,111.00	FTSE Christmas Island (Dec 29 / Fri)	1,111.00	FTSE South Korea (Dec 29 / Fri)	1,111.00
FTSE JSE (Dec 29 / Fri)	1,111.00	Wloclaw (Dec 29 / Fri)	1,111.00	FTSE Christmas Island (Dec 29 / Fri)	1,111.00	FTSE Japan (Dec 29 / Fri)	1,111.00
FTSE KSE (Dec 29 / Fri)	1,111.00	Bytom (Dec 29 / Fri)	1,111.00	FTSE Christmas Island (Dec 29 / Fri)	1,111.00	FTSE Australia (Dec 29 / Fri)	1,111.00
FTSE SSE (Dec 29 / Fri)	1,111.00	Siemianowice Slaskie (Dec 29 / Fri)	1,111.00	FTSE Christmas Island (Dec 29 / Fri)	1,111.00	FTSE New Zealand (Dec 29 / Fri)	1,111.00
FTSE ZSE (Dec 29 / Fri)	1,111.00	Wielun (Dec 29 / Fri)	1,111.00	FTSE Christmas Island (Dec 29 / Fri)	1,111.00	FTSE Canada (Dec 29 / Fri)	1,111.00
FTSE BSE (Dec 29 / Fri)	1,111.00	Opole (Dec 29 / Fri)	1,111.00	FTSE Christmas Island (Dec 29 / Fri)	1,111.00	FTSE Mexico (Dec 29 / Fri)	1,111.00
FTSE ASE (Dec 29 / Fri)	1,111.00	Legnica (Dec 29 / Fri)	1,111.00	FTSE Christmas Island (Dec 29 / Fri)	1,111.00	FTSE Chile (Dec 29 / Fri)	1,111.00
FTSE WSE (Dec 29 / Fri)	1,111.00	Chorzow (Dec 29 / Fri)	1,111.00	FTSE Christmas Island (Dec 29 / Fri)	1,111.00	FTSE Peru (Dec 29 / Fri)	1,111.00
FTSE BOV (Dec 29 / Fri)	1,111.00	Wloclaw (Dec 29 / Fri)	1,111.00	FTSE Christmas Island (Dec 29 / Fri)	1,111.00	FTSE Colombia (Dec 29 / Fri)	1,111.00
FTSE LSE (Dec 29 / Fri)	1,111.00	Bytom (Dec 29 / Fri)	1,111.00	FTSE Christmas Island (Dec 29 / Fri)	1,111.00	FTSE Venezuela (Dec 29 / Fri)	1,111.00
FTSE NYSE (Dec 29 / Fri)	1,111.00	Siemianowice Slaskie (Dec 29 / Fri)	1,111.00	FTSE Christmas Island (Dec 29 / Fri)	1,111.00	FTSE Argentina (Dec 29 / Fri)	1,111.00
FTSE OMX (Dec 29 / Fri)	1,111.00	Wielun (Dec 29 / Fri)	1,111.00	FTSE Christmas Island (Dec 29 / Fri)	1,111.00	FTSE Uruguay (Dec 29 / Fri)	1,111.00
FTSE CSE (Dec 29 / Fri)	1,111.00	Opole (Dec 29 / Fri)	1,111.00	FTSE Christmas Island (Dec 29 / Fri)	1,111.00	FTSE Paraguay (Dec 29 / Fri)	1,111.00
FTSE JSE (Dec 29 / Fri)	1,111.00	Legnica (Dec 29 / Fri)	1,111.00	FTSE Christmas Island (Dec 29 / Fri)	1,111.00	FTSE Bolivia (Dec 29 / Fri)	1,111.00
FTSE KSE (Dec 29 / Fri)	1,111.00	Chorzow (Dec 29 / Fri)	1,111.00	FTSE Christmas Island (Dec 29 / Fri)	1,111.00	FTSE Ecuador (Dec 29 / Fri)	1,111.00
FTSE SSE (Dec 29 / Fri)	1,111.00	Wloclaw (Dec 29 / Fri)	1,111.00	FTSE Christmas Island (Dec 29 / Fri)	1,111.00	FTSE Guatemala (Dec 29 / Fri)	1,111.00
FTSE ZSE (Dec 29 / Fri)	1,111.00	Bytom (Dec 29 / Fri)	1,111.00	FTSE Christmas Island (Dec 29 / Fri)	1,111.00	FTSE El Salvador (Dec 29 / Fri)	1,111.00
FTSE BSE (Dec 29 / Fri)	1,111.00	Siemianowice Slaskie (Dec 29 / Fri)	1,111.00	FTSE Christmas Island (Dec 29 / Fri)	1,111.00	FTSE Honduras (Dec 29 / Fri)	1,111.00
FTSE ASE (Dec 29 / Fri)	1,111.00	Wielun (Dec 29 / Fri)	1,111.00	FTSE Christmas Island (Dec 29 / Fri)	1,111.00	FTSE Nicaragua (Dec 29 / Fri)	1,111.00
FTSE WSE (Dec 29 / Fri)	1,111.00	Opole (Dec 29 / Fri)	1,111.00	FTSE Christmas Island (Dec 29 / Fri)	1,111.00	FTSE Costa Rica (Dec 29 / Fri)	1,111.00
FTSE BOV (Dec 29 / Fri)	1,111.00	Legnica (Dec 29 / Fri)	1,111.00	FTSE Christmas Island (Dec 29 / Fri)	1,111.00	FTSE Panama (Dec 29 / Fri)	1,111.00
FTSE LSE (Dec 29 / Fri)	1,111.00	Chorzow (Dec 29 / Fri)	1,111.00	FTSE Christmas Island (Dec 29 / Fri)	1,111.00	FTSE Dominican Republic (Dec 29 / Fri)	1,111.00
FTSE NYSE (Dec 29 / Fri)	1,111.00	Wloclaw (Dec 29 / Fri)	1,111.00	FTSE Christmas Island (Dec 29 / Fri)	1,111.00	FTSE Haiti (Dec 29 / Fri)	1,111.00
FTSE OMX (Dec 29 / Fri)	1,111.00	Bytom (Dec 29 / Fri)	1,111.00	FTSE Christmas Island (Dec 29 / Fri)	1,111.00	FTSE Cuba (Dec 29 / Fri)	1,111.00
FTSE CSE (Dec 29 / Fri)	1,111.00	Siemianowice Slaskie (Dec 29 / Fri)	1,111.00	FTSE Christmas Island (Dec 29 / Fri)	1,111.00	FTSE North Korea (Dec 29 / Fri)	1,111.00
FTSE JSE (Dec 29 / Fri)	1,111.00	Wielun (Dec 29 / Fri)	1,111.00	FTSE Christmas Island (Dec 29 / Fri)	1,111.00	FTSE South Korea (Dec 29 / Fri)	1,111.00
FTSE KSE (Dec 29 / Fri)	1,111.00	Opole (Dec 29 / Fri)	1,111.00	FTSE Christmas Island (Dec 29 / Fri)	1,111.00	FTSE Japan (Dec 29 / Fri)	1,111.00
FTSE SSE (Dec 29 / Fri)	1,111.00	Legnica (Dec 29 / Fri)	1,111.00	FTSE Christmas Island (Dec 29 / Fri)	1,111.00	FTSE Australia (Dec 29 / Fri)	1,111.00
FTSE ZSE (Dec 29 / Fri)	1,111.00	Chorzow (Dec 29 / Fri)	1,111.00	FTSE Christmas Island (Dec 29 / Fri)	1,111.00	FTSE New Zealand (Dec 29 / Fri)	1,111.00
FTSE BSE (Dec 29 / Fri)	1,111.00	Wloclaw (Dec 29 / Fri)	1,111.00	FTSE Christmas Island (Dec 29 / Fri)	1,111.00	FTSE Canada (Dec 29 / Fri)	1,111.00
FTSE ASE (Dec 29 / Fri)	1,111.00	Bytom (Dec 29 / Fri)	1,111.00	FTSE Christmas Island (Dec 29 / Fri)	1,111.00	FTSE Mexico (Dec 29 / Fri)	1,111.00
FTSE WSE (Dec 29 / Fri)	1,111.00	Siemianowice Slaskie (Dec 29 / Fri)	1,111.00	FTSE Christmas Island (Dec 29 / Fri)	1,111.00	FTSE Chile (Dec 29 / Fri)	1,111.00
FTSE BOV (Dec 29 / Fri)	1,111.00	Wielun (Dec 29 / Fri)	1,111.00	FTSE Christmas Island (Dec 29 / Fri)	1,111.00	FTSE Peru (Dec 29 / Fri)	1,111.00
FTSE LSE (Dec 29 / Fri)	1,111.00	Opole (Dec 29 / Fri)	1,111.00	FTSE Christmas Island (Dec 29 / Fri)	1,111.00	FTSE Colombia (Dec 29 / Fri)	1,111.00
FTSE NYSE (Dec 29 / Fri)	1,111.00	Legnica (Dec 29 / Fri)	1,111.00	FTSE Christmas Island (Dec 29 / Fri)	1,111.00	FTSE Venezuela (Dec 29 / Fri)	1,111.00
FTSE OMX (Dec 29 / Fri)	1,111.00	Chorzow (Dec 29 / Fri)	1,111.00	FTSE Christmas Island (Dec 29 / Fri)	1,111.00	FTSE Argentina (Dec 29 / Fri)	1,111.00
FTSE CSE (Dec 29 / Fri)	1,111.00	Wloclaw (Dec 29 / Fri)	1,111.00	FTSE Christmas Island (Dec 29 / Fri)	1,111.00	FTSE Uruguay (Dec 29 / Fri)	1,111.00
FTSE JSE (Dec 29 / Fri)	1,111.00	Bytom (Dec 29 / Fri)	1,111.00	FTSE Christmas Island (Dec 29 / Fri)	1,111.00	FTSE Paraguay (Dec 29 / Fri)	1,111.00
FTSE KSE (Dec 29 / Fri)	1,111.00	Siemianowice Slaskie (Dec 29 / Fri)	1,111.00	FTSE Christmas Island (Dec 29 / Fri)	1,111.00	FTSE Bolivia (Dec 29 / Fri)	1,111.00
FTSE SSE (Dec 29 / Fri)	1,111.00	Wielun (Dec 29 / Fri)	1,111.00	FTSE Christmas Island (Dec 29 / Fri)	1,111.00	FTSE Ecuador (Dec 29 / Fri)	1,111.00
FTSE ZSE (Dec 29 / Fri)	1,111.00	Opole (Dec 29 / Fri)	1,111.00	FTSE Christmas Island (Dec 29 / Fri)	1,111.00	FTSE Guatemala (Dec 29 / Fri)	1,111.00
FTSE BSE (Dec 29 / Fri)	1,111.00	Legnica (Dec 29 / Fri)	1,111.00	FTSE Christmas Island (Dec 29 / Fri)	1,111.00	FTSE El Salvador (Dec 29 / Fri)	1,111.00
FTSE ASE (Dec 29 / Fri)	1,111.00	Chorzow (Dec 29 / Fri)	1,111.00	FTSE Christmas Island (Dec 29 / Fri)	1,111.00	FTSE Honduras (Dec 29 / Fri)	1,111.00
FTSE WSE (Dec 29 / Fri)	1,111.00	Wloclaw (Dec 29 / Fri)	1,111.00	FTSE Christmas Island (Dec 29 / Fri)	1,111.00	FTSE Nicaragua (Dec 29 / Fri)	1,111.00
FTSE BOV (Dec 29 / Fri)	1,111.00	Bytom (Dec 29 / Fri)	1,111.00	FTSE Christmas Island (Dec 29 / Fri)	1,111.00	FTSE Costa Rica (Dec 29 / Fri)	1,111.00
FTSE LSE (Dec 29 / Fri)	1,111.00	Siemianowice Slaskie (Dec 29 / Fri)	1,111.00	FTSE Christmas Island (Dec 29 / Fri)	1,111.00	FTSE Panama (Dec 29 / Fri)	1,111.00
FTSE NYSE (Dec 29 / Fri)	1,111.00	Wielun (Dec 29 / Fri)	1,111.00	FTSE Christmas Island (Dec 29 / Fri)	1,111.00	FTSE Dominican Republic (Dec 29 / Fri)	1,111.00
FTSE OMX (Dec 29 / Fri)	1,111.00	Opole (Dec 29 / Fri)	1,111.00	FTSE Christmas Island (Dec 29 / Fri)	1,111.00	FTSE Haiti (Dec 29 / Fri)	1,111.00
FTSE CSE (Dec 29 / Fri)	1,111.00	Legnica (Dec 29 / Fri)	1,111.00	FTSE Christmas Island (Dec 29 / Fri)	1,111.00	FTSE Cuba (Dec 29 / Fri)	1,111.00



**FT MANAGED FUNDS SERVICE**

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LUXEMBOURG (FSA RECOGNISED)									
Investment Fund Name	ISIN	Asset Class	NAV	YTD %	1Y %	3Y %	5Y %	10Y %	Notes
ASSA Offshore Fund Managers (Lux) Ltd									
ASSA Global Growth Fund	LU0100000000	Global	100.00	12.5%	15.2%	18.1%	20.3%	22.1%	
ASSA Global Income Fund	LU0100000001	Global	100.00	8.1%	10.3%	12.5%	14.7%	16.9%	
ASSA Global Bond Fund	LU0100000002	Bond	100.00	5.2%	6.8%	8.4%	10.0%	11.6%	
ASSA Global Equity Fund	LU0100000003	Equity	100.00	15.1%	18.3%	21.5%	24.7%	27.9%	
ASSA Global Real Estate Fund	LU0100000004	Real Estate	100.00	10.2%	12.4%	14.6%	16.8%	19.0%	
ASSA Global Infrastructure Fund	LU0100000005	Infrastructure	100.00	9.3%	11.5%	13.7%	15.9%	18.1%	
ASSA Global Natural Resources Fund	LU0100000006	Natural Resources	100.00	11.4%	13.6%	15.8%	18.0%	20.2%	
ASSA Global Healthcare Fund	LU0100000007	Healthcare	100.00	13.5%	15.7%	17.9%	20.1%	22.3%	
ASSA Global Technology Fund	LU0100000008	Technology	100.00	14.6%	16.8%	19.0%	21.2%	23.4%	
ASSA Global Financial Services Fund	LU0100000009	Financial Services	100.00	12.7%	14.9%	17.1%	19.3%	21.5%	
ASSA Global Consumer Goods Fund	LU0100000010	Consumer Goods	100.00	11.8%	14.0%	16.2%	18.4%	20.6%	
ASSA Global Industrial Goods Fund	LU0100000011	Industrial Goods	100.00	10.9%	13.1%	15.3%	17.5%	19.7%	
ASSA Global Energy Fund	LU0100000012	Energy	100.00	12.0%	14.2%	16.4%	18.6%	20.8%	
ASSA Global Environmental Fund	LU0100000013	Environmental	100.00	13.1%	15.3%	17.5%	19.7%	21.9%	
ASSA Global Socially Responsible Fund	LU0100000014	Socially Responsible	100.00	12.2%	14.4%	16.6%	18.8%	21.0%	
ASSA Global Sustainable Fund	LU0100000015	Sustainable	100.00	11.3%	13.5%	15.7%	17.9%	20.1%	
ASSA Global Impact Fund	LU0100000016	Impact	100.00	10.4%	12.6%	14.8%	17.0%	19.2%	
ASSA Global ESG Fund	LU0100000017	ESG	100.00	9.5%	11.7%	13.9%	16.1%	18.3%	
ASSA Global Climate Fund	LU0100000018	Climate	100.00	8.6%	10.8%	13.0%	15.2%	17.4%	
ASSA Global Water Fund	LU0100000019	Water	100.00	7.7%	9.9%	12.1%	14.3%	16.5%	
ASSA Global Forest Fund	LU0100000020	Forest	100.00	6.8%	9.0%	11.2%	13.4%	15.6%	
ASSA Global Land Use Fund	LU0100000021	Land Use	100.00	5.9%	8.1%	10.3%	12.5%	14.7%	
ASSA Global Urban Development Fund	LU0100000022	Urban Development	100.00	4.0%	6.2%	8.4%	10.6%	12.8%	
ASSA Global Infrastructure Development Fund	LU0100000023	Infrastructure Development	100.00	3.1%	5.3%	7.5%	9.7%	11.9%	
ASSA Global Transportation Fund	LU0100000024	Transportation	100.00	2.2%	4.4%	6.6%	8.8%	11.0%	
ASSA Global Logistics Fund	LU0100000025	Logistics	100.00	1.3%	3.5%	5.7%	7.9%	10.1%	
ASSA Global Supply Chain Fund	LU0100000026	Supply Chain	100.00	0.4%	2.6%	4.8%	7.0%	9.2%	
ASSA Global E-commerce Fund	LU0100000027	E-commerce	100.00	-0.5%	1.7%	3.9%	6.1%	8.3%	
ASSA Global Digital Marketing Fund	LU0100000028	Digital Marketing	100.00	-1.6%	0.8%	3.0%	5.2%	7.4%	
ASSA Global Artificial Intelligence Fund	LU0100000029	Artificial Intelligence	100.00	-2.7%	-0.3%	1.9%	4.1%	6.3%	
ASSA Global Blockchain Fund	LU0100000030	Blockchain	100.00	-3.8%	0.6%	2.8%	5.0%	7.2%	
ASSA Global Cybersecurity Fund	LU0100000031	Cybersecurity	100.00	-4.9%	1.7%	3.9%	6.1%	8.3%	
ASSA Global Data Analytics Fund	LU0100000032	Data Analytics	100.00	-6.0%	2.8%	5.0%	7.2%	9.4%	
ASSA Global Cloud Computing Fund	LU0100000033	Cloud Computing	100.00	-7.1%	3.9%	6.1%	8.3%	10.5%	
ASSA Global Internet of Things Fund	LU0100000034	Internet of Things	100.00	-8.2%	5.0%	7.2%	9.4%	11.6%	
ASSA Global Smart Cities Fund	LU0100000035	Smart Cities	100.00	-9.3%	6.1%	8.3%	10.5%	12.7%	
ASSA Global Sustainable Cities Fund	LU0100000036	Sustainable Cities	100.00	-10.4%	7.2%	9.4%	11.6%	13.8%	
ASSA Global Smart Infrastructure Fund	LU0100000037	Smart Infrastructure	100.00	-11.5%	8.3%	10.5%	12.7%	14.9%	
ASSA Global Smart Transportation Fund	LU0100000038	Smart Transportation	100.00	-12.6%	9.4%	11.6%	13.8%	16.0%	
ASSA Global Smart Logistics Fund	LU010000003								

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**FT MANAGED FUNDS SERVICE**

Offshore Insurances and Other Funds

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**INVESTMENT TRUSTS - Continued**

Pacific Assets	4	57 1/2	-1	84	100
Says & Watson	1	23 1/2	-70.0	1	1

Second London Amer 104

#### NEW TRUSTS SPLIT CAPITAL

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Year	Day	Distance
1990	1	100
1991	2	200
1992	3	300
1993	4	400
1994	5	500
1995	6	600
1996	7	700
1997	8	800
1998	9	900
1999	10	1000
2000	11	1100
2001	12	1200
2002	13	1300
2003	14	1400
2004	15	1500
2005	16	1600
2006	17	1700
2007	18	1800
2008	19	1900
2009	20	2000
2010	21	2100
2011	22	2200
2012	23	2300
2013	24	2400
2014	25	2500
2015	26	2600
2016	27	2700
2017	28	2800
2018	29	2900
2019	30	3000
2020	31	3100

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	Notes	Prior charge	net	paid
1970-1971				
1971-1972				
1972-1973				
1973-1974				
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2081-2082				
2082-208				

Approved by the United Nations  
Abolition of the Death Penalty 2022 86

Abundant Spk Inc.	72 1/2	2.1	21.14.15
Cap.	210.0	—	—

Archimedes Inc. 11791 11791 11791 11791

Account Management for the 1990s

Warrant	1846	1	1
Zero Use Prod	121	0.4	1

1975 Income & Capital Gains	1975	1974	1973
Income	717.8	717.8	717.8
Capital Gains	1.2	1.2	1.2
Total	719.0	719.0	719.0

City of Oakland 341 08.17 Policy

Zero Dr Pl	1214	0.5		
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Capital	72	47	-	-
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Delivery Date	12/20	12/21	12/22	12/23	12/24	12/25	12/26	12/27	12/28	12/29	12/30	12/31	1/1	1/2	1/3	1/4	1/5	1/6	1/7	1/8	1/9	1/10	1/11	1/12	1/13	1/14	1/15	1/16	1/17	1/18	1/19	1/20	1/21	1/22	1/23	1/24	1/25	1/26	1/27	1/28	1/29	1/30	1/31	2/1	2/2	2/3	2/4	2/5	2/6	2/7	2/8	2/9	2/10	2/11	2/12	2/13	2/14	2/15	2/16	2/17	2/18	2/19	2/20	2/21	2/22	2/23	2/24	2/25	2/26	2/27	2/28	2/29	3/1	3/2	3/3	3/4	3/5	3/6	3/7	3/8	3/9	3/10	3/11	3/12	3/13	3/14	3/15	3/16	3/17	3/18	3/19	3/20	3/21	3/22	3/23	3/24	3/25	3/26	3/27	3/28	3/29	3/30	3/31	4/1	4/2	4/3	4/4	4/5	4/6	4/7	4/8	4/9	4/10	4/11	4/12	4/13	4/14	4/15	4/16	4/17	4/18	4/19	4/20	4/21	4/22	4/23	4/24	4/25	4/26	4/27	4/28	4/29	4/30	5/1	5/2	5/3	5/4	5/5	5/6	5/7	5/8	5/9	5/10	5/11	5/12	5/13	5/14	5/15	5/16	5/17	5/18	5/19	5/20	5/21	5/22	5/23	5/24	5/25	5/26	5/27	5/28	5/29	5/30	5/31	6/1	6/2	6/3	6/4	6/5	6/6	6/7	6/8	6/9	6/10	6/11	6/12	6/13	6/14	6/15	6/16	6/17	6/18	6/19	6/20	6/21	6/22	6/23	6/24	6/25	6/26	6/27	6/28	6/29	6/30	7/1	7/2	7/3	7/4	7/5	7/6	7/7	7/8	7/9	7/10	7/11	7/12	7/13	7/14	7/15	7/16	7/17	7/18	7/19	7/20	7/21	7/22	7/23	7/24	7/25	7/26	7/27	7/28	7/29	7/30	7/31	8/1	8/2	8/3	8/4	8/5	8/6	8/7	8/8	8/9	8/10	8/11	8/12	8/13	8/14	8/15	8/16	8/17	8/18	8/19	8/20	8/21	8/22	8/23	8/24	8/25	8/26	8/27	8/28	8/29	8/30	8/31	9/1	9/2	9/3	9/4	9/5	9/6	9/7	9/8	9/9	9/10	9/11	9/12	9/13	9/14	9/15	9/16	9/17	9/18	9/19	9/20	9/21	9/22	9/23	9/24	9/25	9/26	9/27	9/28	9/29	9/30	10/1	10/2	10/3	10/4	10/5	10/6	10/7	10/8	10/9	10/10	10/11	10/12	10/13	10/14	10/15	10/16	10/17	10/18	10/19	10/20	10/21	10/22	10/23	10/24	10/25	10/26	10/27	10/28	10/29	10/30	10/31	11/1	11/2	11/3	11/4	11/5	11/6	11/7	11/8	11/9	11/10	11/11	11/12	11/13	11/14	11/15	11/16	11/17	11/18	11/19	11/20	11/21	11/22	11/23	11/24	11/25	11/26	11/27	11/28	11/29	11/30	12/1	12/2	12/3	12/4	12/5	12/6	12/7	12/8	12/9	12/10	12/11	12/12	12/13	12/14	12/15	12/16	12/17	12/18	12/19	12/20	12/21	12/22	12/23	12/24	12/25	12/26	12/27	12/28	12/29	12/30	12/31
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David L. P. 1142 12 11

Lamps Co. NY NY  
 Monthly Div. \_\_\_\_\_  
 Collection Bureau \_\_\_\_\_

Zoo Die Pl. \_\_\_\_\_

Flow rate at 0.5 mm Hg	27.6	17.1	18.9
Flow rate at 1.0 mm Hg	29.1	17.1	18.9
Flow rate at 1.5 mm Hg	30.6	17.1	18.9
Flow rate at 2.0 mm Hg	32.1	17.1	18.9
Flow rate at 2.5 mm Hg	33.6	17.1	18.9
Flow rate at 3.0 mm Hg	35.1	17.1	18.9
Flow rate at 3.5 mm Hg	36.6	17.1	18.9
Flow rate at 4.0 mm Hg	38.1	17.1	18.9
Flow rate at 4.5 mm Hg	39.6	17.1	18.9
Flow rate at 5.0 mm Hg	41.1	17.1	18.9
Flow rate at 5.5 mm Hg	42.6	17.1	18.9
Flow rate at 6.0 mm Hg	44.1	17.1	18.9
Flow rate at 6.5 mm Hg	45.6	17.1	18.9
Flow rate at 7.0 mm Hg	47.1	17.1	18.9
Flow rate at 7.5 mm Hg	48.6	17.1	18.9
Flow rate at 8.0 mm Hg	50.1	17.1	18.9
Flow rate at 8.5 mm Hg	51.6	17.1	18.9
Flow rate at 9.0 mm Hg	53.1	17.1	18.9
Flow rate at 9.5 mm Hg	54.6	17.1	18.9
Flow rate at 10.0 mm Hg	56.1	17.1	18.9
Flow rate at 10.5 mm Hg	57.6	17.1	18.9
Flow rate at 11.0 mm Hg	59.1	17.1	18.9
Flow rate at 11.5 mm Hg	60.6	17.1	18.9
Flow rate at 12.0 mm Hg	62.1	17.1	18.9
Flow rate at 12.5 mm Hg	63.6	17.1	18.9
Flow rate at 13.0 mm Hg	65.1	17.1	18.9
Flow rate at 13.5 mm Hg	66.6	17.1	18.9
Flow rate at 14.0 mm Hg	68.1	17.1	18.9
Flow rate at 14.5 mm Hg	69.6	17.1	18.9
Flow rate at 15.0 mm Hg	71.1	17.1	18.9
Flow rate at 15.5 mm Hg	72.6	17.1	18.9
Flow rate at 16.0 mm Hg	74.1	17.1	18.9
Flow rate at 16.5 mm Hg	75.6	17.1	18.9
Flow rate at 17.0 mm Hg	77.1	17.1	18.9
Flow rate at 17.5 mm Hg	78.6	17.1	18.9
Flow rate at 18.0 mm Hg	80.1		

2nd Div Pt.	1974	0.4	-
Firebury State Co's.	199	2.3	3.9 Apr Aug
2nd Div	1991		

2000 Pct. _____	2004 _____	2005 _____	2006 _____
Flaring I & C Inc _____	124 _____	-1.2 _____	07.37% _____

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Speed Fuel	1.50	0.7	7.01	Apr 59
Domestic Gasoline	1.50	0.7	7.01	Apr 59

Zero Day Prod.	60%	1.7	-
Index	100%	1.0	100%

For & Col SUIT Sp Inc 41 74 2000 6.42 Jan Jan

Unins.	173	2.7	0.42 Jan Jan
Medicaid	104	1.7	

Praxair Inc.	7.9	4.5	7.9
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Zero Div PT 144

Capital	1775	74	1775
Estimated Return on Investment	1775	74	1775

\*In other countries, call directory assistance or ask your hotel concierge.



هذا من الاول

## GLOBAL EQUITY MARKETS

## US INDICES

S&P INDICES									
Year/Issue	Dec			1998		Stock completion			
	Dec 24	Dec 22	Dec 22	High	Low	High	Low	High	Low
Industrials	9217.08	9202.03	9044.46	9242.37	7939.07	9274.59	8714.59	41.78	39.78
				(23.11)					
Home Bldgs.	108.35	108.72	108.74	107.07	104.82	107.57	104.18	1.05	1.05
				(9.73)					
Transport	3944.08	3954.59	3936.16	3968.05	2145.00	3988.02	3132.13	17.05	16.05
				(19.94)					
Utilities	714.54	715.05	712.81	723.75	728.35	735.91	727.18	0.77	0.77
				(9.11)					
U.S. Gov. Bonds	9989.47	9975.94	9146.42	9922.98					
10-yr. High-Yield	9871.59	9871.59	9178.78	9863.73					
Standard & Poor's Composite	1226.27	1228.54	1203.57	1238.54	927.80	1238.04	916.04	0.40	0.40
				(23.11)					
Industrials*	1471.51	1474.08	1462.28	1474.88	1077.40	1474.88	1068.52	0.68	0.68
				(23.11)					
Consumer*	131.71	131.87	129.87	147.88	85.80	147.88	72.72	0.77	0.77
				(14.47)					
-Others									
NYSE Comp.	598.07	598.35	576.75	600.78	477.26	600.78	454.44	0.54	0.54
				(17.77)					
AMEX Comp.	559.49	560.74	555.35	567.07	383.75	567.07	324.44	0.54	0.54
				(23.11)					
NASDAQ Comp.	2189.03	2172.54	2126.00	2172.56	1410.12	2172.54	1410.12	0.54	0.54
				(23.11)					
Russell 2000	465.36	464.78	460.34	461.41	310.28	461.41	310.28	0.54	0.54
				(23.11)					

RATIOS									
Dow Jones Ind. Div. Yield	Dec			Dec 4		Year ago			
	Dec 18	Dec 17	Dec 17	Dec 4	Dec 4	Dec 4	Dec 4	Dec 4	Dec 4
S & P Ind. Div. Yield	1.23	1.21	1.21	1.23	1.22	1.40	1.40	1.40	1.40
S & P Ind. P/E ratio	35.68	35.68	35.68	35.68	35.71	29.80	29.80	29.80	29.80

## US DATA

[illegible]

**Draw - Jones**

[illegible]

## FRANCE

Dec 26		Dec 24		Dec 23		1999		Share completion	
						High Low		High Low	
3672.10	closed	3672.42	4386.48	2862.54	4386.48	4386.48	584.00		
14	Dec 24	2862.54							
<b>TRADING ACTIVITY</b>									
<b>Volume : 232,846,719</b>									
<b>BY SECURITY CATEGORY</b>									
Stocks	Class price	Day's change	Monday	Class price	Day's change	Day's change	Day's change	Day's change	Day's change
390,560.67	432	-4	Use	194.7	+12.9	+11.5			
548,430.49	379	-17	Grain	280.6	+56	+7.2			
373,554.94	427	+63	Chem	130.7	+6	+5.7			
430,130.43	44.3		PampC	112	+6	+5.7			
113,844.84	265.7	+2.7	Energy	30.6	+58	+5.3			
267,100.93	52.7	+0.2	Devel						
266,985.78	788	+1	Financial	458.0	-9.1	-4.8			
266,985.78	262.5	-0.5	Health	14.4	+4.4	+4.4			
266,985.78	42.7	+0.2	Chem	304.5	-11.5	-10.6			
215,774.74	642	-5	Environ	294.4	-76	-5.3			
<b>BY SECURITY CATEGORY</b>									
Dec 26	Dec 24	Dec 23	1999	Share completion	High	Low	High	Low	High
closed	3672.42	5008.16	8718.00	4648.76	8718	584			
<b>TRADING ACTIVITY</b>									
<b>Volume : 104,500,000</b>									
<b>BY SECURITY CATEGORY</b>									
Stocks	Class price	Day's change	Thursday	Class price	Day's change	Day's change	Day's change	Day's change	Day's change
324,304.42	82	-20.4	Use	149.6	+31.6	+27.0			
561,701.70	34	+1.6	Grain	280.6	+56	+7.2			
373,554.94	427	+63	Chem	130.7	+6	+5.7			
430,130.43	44.3		PampC	112	+6	+5.7			
113,844.84	265.7	+2.7	Energy	30.6	+58	+5.3			
267,100.93	52.7	+0.2	Devel						
266,985.78	788	+1	Financial	458.0	-9.1	-4.8			
266,985.78	262.5	-0.5	Health	14.4	+4.4	+4.4			
266,985.78	42.7	+0.2	Chem	304.5	-11.5	-10.6			
215,774.74	642	-5	Environ	294.4	-76	-5.3			

**FTSE Europe**

GERMANY									
	Dec 24	Dec 25	Dec 26	Dec 27	Dec 28	Dec 29	Dec 30	Dec 31	Dec 31
	Low	High	Low	High	Low	High	Low	High	Low
DAX: DAX77 closed 4011.77 4011.42 3998.58 4071.48 4071.48 4071.48 4071.48 4071.48 4071.48 4071.48									
Day's high: 4062.21 Day's low: 4010.44									
BY PRIMARY TRADING ACTIVITY Volume: 1.5									
BY ACTIVITY									
Monday	Tuesday	Wednesday	Thursday	Friday	Monday	Tuesday	Wednesday	Thursday	Friday
Change	Change	Change	Change	Change	Change	Change	Change	Change	Change
Deutsche	107.457	+10.8	+4.8		U24p2p	132	+12	+11	
Bank	436.811	+2.5	+5.4		101	47	+8	+8	
Tele	59.249	+2.2	+1.1		101	47	+8	+8	
Media	11.7	+1.7			101	47	+8	+8	
Value	573.262	+4.0	+1.0		1310	+45	+21	+21	
St. Ind	230.776	+4.8	+5.35		101	47	+8	+8	
Chem	41.4	-0.4			101	47	+8	+8	
Food	123.742	+19.8	+2.1		101	47	+8	+8	
Metals	11.7	+1.7			101	47	+8	+8	
Energy	22.2	+5.5	-4.5		101	47	+8	+8	
Health	101	47	+8		101	47	+8	+8	
Telecom	101	47	+8		101	47	+8	+8	
Transport	101	47	+8		101	47	+8	+8	
Utilities	101	47	+8		101	47	+8	+8	
Other	101	47	+8		101	47	+8	+8	

2000	20
2001	21

	Dec 23	Dec 24	Dec 25	1999 High	Low	Stop completion Low
day closed	5957.2	5908.6	6179.0	6543.75	6179	5963
MARKS ACTIVITY						
Volume: 104,000,000						
	IN SUGGEST MOVINGS					
Stocks	Change	Day's change	Thursday	Change	Day's change	Day's change
187,204	362	+23%	14934	+371%	+27.4%	+27.4%
187,621	34	+1%	Expans Pro	1419	+22%	+22.0%
187,621	49	+1%	Expans Pro	37	+8%	+8.0%
177,138	1050	+1%	Disney Cassin	9	+12.5%	+12.5%
182,682	3984	-1%	Domestic			
182,005	324	-1%	Tempo Inc	11	-2%	-2.0%
182,624	825	-2%	Tempo Inc	18	-18%	-18.0%
182,624	825	-2%	Tempo Inc	26	-9%	-9.0%

## INDEX FUTURES

	Open	Latest	Change	High
US SAP 500				
Mar	1241.30	1242.10	-0.50	1243.40
Jun	1251.50	1249.50	-4.30	1253.70
US Industrial 225				
Mar	Open	Sell price	Change	High
Mar	13680.0	13700.0	-300.0	13680.0
Jun	13700.0	13680.0	-100.0	13750.0

See sources below for sources data

9

Low	Std. dev.	Open Int.	Open	Sett/Price	Change	High	Low	Std. dev.	Open Int.	IM	Country	Index	Dec 29	Dec 24	1998 High	1998 Low	Std. dev.	Open Int.							
																			IM CHG-40 (2nd & 3rd)						
1238.70	23.210	366,722	Dec	3652.0	3670.0	-18.0	3670.0	3652.0	--	95,269															
1244.30	219	7,652	Jan	3668.0	3678.0	-8.5	3670.0	3673.0	--	113,610															
																			IM DAX						
1307.00	12.514	182,104	Mar	50610	50685	+49.55	5118.0	5040.0	5,494	83,699															
1380.00	19	32,988	Jan	5065.0	5068.5	+18.0	5065.0	5065.0	71	3,310															
																			IM EURIBOR						
			Mar	7290.0	7170.0	+113.0	7288.0	7230.0	7,917	113,827															
			Jan	7192.0	7118.0	+106.8	7220.0		12	1,067															
																			1998 Low						
1238.14	109	3.72	72	Germany	Dax	608.00	(4)	500.09	6018.38	234	3775.02	239	nm	10	Portugal	BVL 30	400.34	(4)	424.45	678.88	234	3388.88	270	2.12	25.4
2688.20	1.8	3.42	21	India	BSE SENSEX	3647.78	2683.46	2682.50	4380.58	234	2784.16	250	nm	10	Portugal	JPM 20	11059.46	(4)	1091.33	1429.59	234	8714.51	270		
489.00	3745			India	Gold 999.9	680.70	688.40	685.30	688.58	234	687.08	250	nm	10	Portugal	Dominic Investment Group Market Index, underlying a January 2000									
345.44	970	2.85	13.3	Indonesia	Jakarta Comp.	400.18	401.85	400.52	554.10	32	338.80	210	2.48	20.7	Singapore	SSE All-Share	378.87	382.01	379.51	437.89	180	253.48	40	2.35	18.7
908.08	970			Indonesia	Gold 999.9	680.70	688.40	685.30	688.58	234	687.08	250	nm	10	Singapore	State Times	1381.27	1382.73	1384.53	1886.76	163	88.04	40		
2397.78	970	1.59	22.5	Ireland	ISEQ Overall	(4)	620.73	480.23	547.84	234	378.11	870	2.81	18.2	Ireland	RTS	58.34	62.11	62.44	414.81	51	58.89	570	nm	nm
491.00	109	nm	nm	Ireland	Gold 999.9	680.70	688.40	685.30	688.58	234	687.08	250	nm	10	Ireland	RTS	58.34	62.11	62.44	414.81	51	58.89	570	nm	nm
304.01	970	1.76	19	Italy	FTSE 100	301.32	(4)	342.38	380.88	237	248.81	870	1.78	25.6	South Africa	JSE All Share	3348.97	5238.8	5188.7	6388.70	234	4940.40	110		
338.00	318			Italy	Borsa Com. Ind	1472.02	(4)	1441.1	1654.38	74	1088.30	870			South Africa	JSE Gold	875.49	888.0	852.4	1318.80	234	822.00	183		
338.00	318			Italy	Global 200	214.73	215.55	(4)	237.40	102	182.39	870			South Africa	JSE Ind	871.59	885.3	858.4	1318.80	234	822.00	183	5.3	7.8
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**THE NASDAQ-AMEX MARKET GROUP**

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# STOCK MARKETS

## Net gains for on-line stocks lifts Nasdaq

### AMERICAS

The December rally in technology stocks continued unabated yesterday morning. Lifting US shares prices close to, or above, their records, writes Richard Waters in New York.

The latest advance pushed the Nasdaq composite up another 22.15 or 1 per cent to 2,185.28 by early afternoon in New York, taking its gain since the beginning of the month to 13 per cent. Internet stocks again led the way, with on-line retailers adding to the impressive gains notched up in the run-up to Christmas.

Other indices recorded more modest gains. The Dow Jones Industrial Average rose 23.69 to 9,241, less than 100 points from the peaks it hit in mid-July and late November. The Standard & Poor's 500 index edged up 2.5 to 1,228.77, another record.

Among the big technology companies dominating the Nasdaq, Microsoft climbed \$1 1/4 to \$142 1/4, while Cisco Systems rose another \$1 1/4 to \$65 1/4. Intel took a breather after its powerful advance, falling back \$4 to \$124 1/4.

Meanwhile, the mania for internet stocks continued unabated. The companies

that have established themselves as the blue chips of the new sector gained 10 per cent or more once again.

Yahoo jumped \$2 1/4 or 13 per cent to \$27 1/4, while America Online advanced \$1 1/4 to \$15 1/4, and Amazon.com rose \$3 1/4 to \$35 1/4. The sector once again boasted a new "wonder stock" for the day - Sky-Mall, a retailer whose shares were the most actively traded on the Nasdaq, soaring \$2 1/2 to \$38. The company had said that its internet sales had jumped sixfold this year, though they still only accounted for \$2m of its \$83m revenues.

The more sedate gains among Dow stocks also reflected the technology boom. Hewlett-Packard rose \$1 1/4 to \$68 1/4, and IBM climbed \$1 1/4 to \$189 1/4. The biggest gains in the Dow were reserved for traditionally more cyclical companies.

Caterpillar rose \$1 1/4, or 2.6 per cent, to \$44 1/4 - though shares in the maker of earth-moving equipment are among the few in the Dow to have lost ground this year, and are still more than 20 per cent below their June peak.

Elsewhere, United Technologies was up \$3 1/4 or 2.3 per cent at \$109.

The benchmark Nikkei 225 Average fell 88.89 or 0.6 per cent to 13,709.06, near to its session low of 13,703.28, after trading as high as 13,894.56. The weighted Nikkei 300 was down 0.55 at 214.73. The Topix index of all first-section shares lost 3.07 at 1,078.89.

Volume was a mere 191m shares traded against 227m on Friday. Momentum was down with 606 stocks retreating and 496 advancing.

The rubber-products sector dropped 2.8 per cent, with Bridgestone down Y88 to Y2,615 after announcing pre-

## Daimler optimism spreads round Frankfurt

### EUROPE

German equities clawed back above the 5,000 level as investors in Frankfurt returned from the Christmas break in upbeat mood. The Xetra Dax index ended 61.58 or 1.2 per cent higher at 5,040.16.

The buyers stepped on DaimlerChrysler's accelerator after the motor giant forecast significantly higher earnings for 1998. Sales growth was put at 13 per cent and merger synergies were said to be having an increasingly important impact on trading.

The shares jumped to DM167.80 before settling at DM166.25, up DM8.50 or 5.2 per cent. The improved sentiment spread across the market.

The FTSE Europe 300 index rose 14.63 to 2,734.38. See Euro Prices page.

motor sector as a whole. BMW added DM69.50 at DM1,314.50 and Volkswagen rose DM2.30 to DM137.30.

Telecoms, something of a favourite global play in

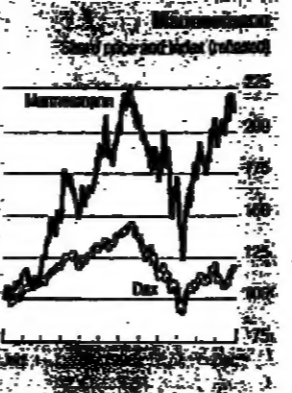
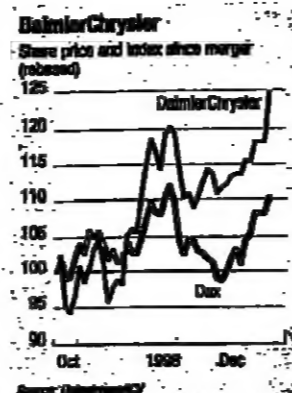
recent sessions, came in for a rethink as competition concerns sparked selling. According to a weekend press report, Deutsche Telekom, off 86 pps at DM55.02, planned a further round of tariff cuts. Mobilcom tumbled DM30 or 6.3 per cent to DM52 and Mannesmann came off DM7.50 at DM52.80.

Banks were mixed in very light trading volumes. Commerzbank rose DM2.25 to DM53.10, but HypoVerbra bank lost DM4 to DM131.95.

PARIS ended little changed after a session of minimal volume. The CAC-40 index finished 0.68 better at 3,873.10 in turnover of just FF4.8bn.

Accor rose FF48 to FF1,185 on what brokers described as end-of-year book balancing. Software leader Cap Gemini was also in good form, improving FF37 to FF1,895. Alcatel shed FF17 at FF1,678.

AMSTERDAM rose 13.73 to 1,192.39 on the AEX index, lifted mostly by selective buying of financials. Agor and Fortis Amey both rose



around 2 per cent, climbing FI 4.20 to FI 232 and FI 3.50 to FI 154.50 respectively.

Shipping leader Nedlloyd was the day's hot stock, bouncing off recent lows in thin volume. The shares, which stood at FI 58.90 in March, jumped FI 1.90 or 3.1 per cent to FI 60.80.

Job agencies provided a dash of seasonal sparkle. Unique rose FI 3.50 to FI 41.10 and Brunel FI 3.70 or 11.5 per cent to FI 35.80. Randstad gained FI 6.30 at FI 102.30.

Bid rumours got firmly behind plastics and textiles group Ten Cate, sending the shares up FI 6.30 or 10.6 per cent to FI 66.

HELSINKI closed higher for an eighth day after a share transfer by Nokia, the telecommunications group, helped push the Hax index to an all-time high.

The index ended 115.34 or 2.1 per cent up at 5,719.35. This latest jump means it has climbed 15 per cent since the close on December 14. Nokia transferred 32m

shares from Holland to Finland, raising the prospect of an eventual share buy-back. The transaction was the biggest ever on the Helsinki bourse.

Nokia finished FM18.50 or 3 per cent higher at FM88. The stock has now risen 20 per cent in the last eight days' trading.

Talentum, the media company, posted its second successive steep rise after recent positive sentiment in the media and on the bourse. The shares closed at FM82, up FM14 or 20.6 per cent, making a cumulative two-day increase of 49.9 per cent.

MILAN rose sharply in an eventful session during which Mediobanca, the merchant bank, was suspended limit up. The Mibtel index jumped 656 or 2.9 per cent to 23,730.

Mediobanca shares were suspended shortly before the close after rising 13,028 or 9.9 per cent to 122,550 on optimism about the bank's prospects for next year. The stock ended LI 703 or 8.3 per cent up at 122,225.

Written and edited by Jeffrey Brown, Michael Peel and Paul Grogan

## Deflationary fears trigger Tokyo falls

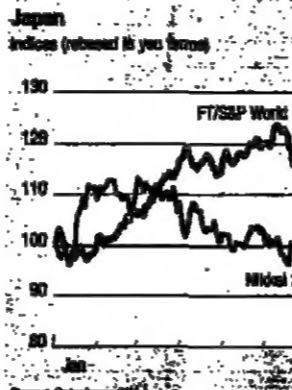
### ASIA PACIFIC

Shares traded lightly in TOKYO in spite of Sunday's confirmation by the Economic Planning Agency that Japan's economy had entered a deflationary spiral, writes Alexandra Nishbaum.

The benchmark Nikkei 225 Average fell 88.89 or 0.6 per cent to 13,709.06, near to its session low of 13,703.28, after trading as high as 13,894.56. The weighted Nikkei 300 was down 0.55 at 214.73. The Topix index of all first-section shares lost 3.07 at 1,078.89.

Volume was a mere 191m shares traded against 227m on Friday. Momentum was down with 606 stocks retreating and 496 advancing.

The rubber-products sector dropped 2.8 per cent, with Bridgestone down Y88 to Y2,615 after announcing pre-



ment changes, employee reductions and a withdrawal from overseas operations.

Sony rose Y10 to Y280 and Toyota Motor climbed Y30 to Y2,370. Honda dropped Y20 to Y2,370 and Fuji Photo Film was down Y40 to Y4,070. In Osaka, the OSE index fell 47 to 14,657.

HONG KONG moved lower on futures-related selling. At HK\$1.2bn, turnover was the lowest for a single day since January 1994. The Hang Seng index ended off 122.08 or 1.3 per cent at 10,170.14.

HSBC lost HK\$4 to HK\$136 and Cheung Kong fell HK\$1.25 to HK\$56.75. China Telecom pushed higher, adding 15 cents to HK\$13.50. Guoco was the day's most active stock, jumping 70 cents or 5.3 per cent to HK\$13.50 on news of a HK\$22m disposal. Red chips gave up 1.3 per cent.

TAIPEI was the heaviest Asian casualty, sliding 201.35 or 3 per cent to 6,481.85 on the weighted index. Heavyweight electronics, hit lately by reduced earnings estimates, led the way down. Acer fell T\$1.80 or 4.7 per cent to T\$36.50 and Microelectronics lost T\$1.30 to T\$40.30.

BOMBAY ended sharply higher on speculative buying. The Bombay exchange index of leading shares rose 8.1 per cent or 90.77 at \$,054.22. Dealers said investors were anticipating a new year rise in inflows from foreign funds.

Software companies performed strongly. Pentafort Software and Exports, Aptech, Satyam Computer Services, Leading Edge Systems and Digital Equipment all posted rises close to the upper limit of 8 per cent.

## Rate talk boost for Jo'burg

### SOUTH AFRICA

Talk of lower interest rates pushed shares in Johannesburg smartly higher, lifting the broad market 2.1 per cent with the all share index up 108.1 at 5,347.9.

This represented the best closing level since early December, with investor sentiment boosted by daily declines for the central bank's repo rate.

Random weakness has kept money markets high in recent months, but speculation yesterday suggested an official downward nudge for rates could come early in the new year.

Industrials added 2.5 per cent to 6,793.2 and financials were also upbeat.

### NOMURA GLOBAL FUND

Société d'Investissement à Capital Variable  
Registered office: 6 Avenue Emile Reuter, L-2420 Luxembourg  
R.C. Luxembourg B-31 127

#### NOTICE OF A SECOND EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS

The quorum required by law not having been reached at a First Extraordinary General Meeting of Shareholders held on 21 December 1998, a second Extraordinary General Meeting of Shareholders, will be held at 6 Avenue Emile Reuter, Luxembourg at 11.00 a.m. on 29 January 1999 in order to decide on the following matters:

##### Agenda of the Extraordinary General Meeting:

1. Amendment of the Articles of Incorporation of the Company;
2. Change of the date of the Annual General Meeting in each year so as to replace the "first Friday in May" by the "first Friday in June" and amend Article 10 accordingly;
3. Amendment of the definition of "Eligible States" in Article 16 so as to include Eastern European States and to amend "European Economic Community" to "European Union";
4. Amendment of Article 16 to allow the Board of Directors to use techniques of co-management by adding the following new paragraph at the end of Article 16:  
"In order to reduce charges and expenses with allowing a wider diversification of the investments, the Board may decide that part or all of the assets of one or several Sub-Funds will be co-managed with all or part of other Sub-Funds of the Company or with assets belonging to other collective investment schemes as defined in the prospectus."
5. Amendment of Article 21 so as to replace the eighth paragraph thereof by the following text:  
"If for a period of more than 20 consecutive days the value (at their respective net asset value) of all outstanding Shares shall be less than 10 million US Dollars or the value of the outstanding Shares of a particular class shall be less than 5 million US Dollars or, in the case of Shares denominated in a currency other than US Dollars the equivalent in US Dollars, or where the Board deems it appropriate because of changes in the economic or political situation affecting the Company or the relevant class or because it is in the best interests of the shareholders of the Company or the relevant class, the Board may, by prior written notice given to all holders of Shares, or to the holders of the relevant class of Shares, as may be the case, redeem at the Redemption Price determined at the date on which all of the investments relating to the relevant class or classes have been realized (but not some) of the Shares (or of the Shares of the relevant class as the case may be) not previously redeemed, at a redemption price reflecting the realization and liquidation costs on winding up the Company or closing down the relevant class, as the case may be, but with no redemption charge, or merge that class with another class of the Company or with another Luxembourg UCITS."
6. Where all the Shares are so affected the directors shall convene an extraordinary general meeting of shareholders to appoint a liquidator of the Company.
7. Termination of a class as a result of compulsory redemption of all relevant Shares or its merger with another class of the Company or with another Luxembourg UCITS, in each case for reasons other than those mentioned above, may be effected only upon prior approval by the shareholders of the class to be terminated or merged at a duly convened class meeting which may be validly held without a quorum and decided upon by a simple majority of the Shares present or represented.
8. A merger so decided by the Board or approved by the shareholders of the affected class will be binding on the holders of Shares of the relevant class upon 30 days prior notice thereof being given to them, during which period the shareholders may redeem their Shares without redemption charge.
9. In case of a merger with a "fonds commun de placement" the decision will be binding only on those shareholders having voted in favour of the merger.
10. Liquidation proceeds not claimed by shareholders upon the liquidation of the Company or the closure of a class will be deposited at the Caisse de Consignation in Luxembourg and shall be forfeited after 30 years."
11. replace the ninth paragraph (now eleventh paragraph) by the following paragraph:  
"In addition the Company shall inform holders of Shares by publication of a notice in newspapers to be determined by the Board, unless all such shareholders and their addresses are known to the Company."
12. Merger with NOMURA ASIAN INFRASTRUCTURE FUND and THE NCM JAPAN FUND

- 1) to approve and ratify the Merger Proposal;
- 2) to approve the merger of NOMURA GLOBAL FUND (the "Company") with

The Board of Directors

**EUROFIMA**  
European Company for the Financing of Railway Rolling Stock  
\$20,000,000,000  
Floating rate notes due 2005  
Notice is hereby given that for the interest period 29 December 1998 to 29 June 1999 the notes will carry an interest rate of 0.463268 per annum, interest payable on the relevant interest payment dates 29 June 1999 will amount to Yen 2,443 per Yen 1,000,000 denomination.  
Global Agency and Trust Services, Citibank, N.A., London  
29 December 1998  
**CITIBANK**

**ANSEY AIRCRAFT FINANCE LTD**  
100, rue de la Loi  
1050 Brussels  
Notice is hereby given that the rate of interest for the period from December 1998 to March 1999 has been fixed at 6.50 per cent, per annum. The coupon amount due for this period is USD 98,76 per USD 100,000 denomination and USD 98,76 per USD 100,000 denomination and is payable on the interest payment date 15 March 1999.  
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**NOMURA ASIAN INFRASTRUCTURE FUND**  
Société d'Investissement à Capital Variable  
Registered office: 6 Avenue Emile Reuter, L-2420 Luxembourg  
R.C. Luxembourg B 34 248

**NOTICE OF A SECOND EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS**  
The quorum required by law not having been reached at a First Extraordinary General Meeting of Shareholders held on 21 December 1998, a second Extraordinary General Meeting of Shareholders, will be held at 6 Avenue Emile Reuter, Luxembourg at 11.00 a.m. on 29 January 1999 in order to decide on the following matters:

**Agenda of the Extraordinary General Meeting:**

- 1) to approve and ratify the Merger Proposal;
- 2) to approve the merger of NOMURA ASIAN INFRASTRUCTURE FUND (the "Company") with NOMURA GLOBAL FUND, Luxembourg Société d'Investissement à capital variable with its registered office at 6 Avenue Emile Reuter, L-2420 Luxembourg ("NGF") into NOMURA GLOBAL FUND - Asian Infrastructure Sub-Fund upon hearing:  
- the report of the Directors of the Company in relation to the merger proposal (the "Merger Proposal") published in the Mémorandum, Recueil des Sociétés et Associations in Luxembourg and deposited with the Clerks of the District Court in Luxembourg; and  
- the audit reports prescribed by Article 266 of the Luxembourg law on commercial companies;
- 3) to accept the issue without charge of shares without par value of Nomura Global Fund - Asian Infrastructure Sub-Fund (the "New Shares") in exchange for the contribution of all assets and liabilities of the Company, at an issue price based on the net asset value per share of the Company as of the last Valuation Day thereof preceding the Effective Day, as defined in the Merger Proposal;
- 4) to accept the issue of one New Share against one former share of the Company, registered shares (including fractional entitlements) being allocated to the registered shareholders of the Company on the Effective Day and to bearer shareholders in registered form on the Effective Day and to bearer shareholders in registered form on the Effective Day; in bearer form upon delivery to the transfer agent of NOMURA GLOBAL FUND of the relevant bearer shares certificates with all unremitted coupons attached thereto;
- 5) to take note that as a result of the merger the Company shall be wound up without liquidation, that all its former shares shall be cancelled and that the assets and liabilities of the Company shall be deemed to be transferred to NGF on the day of the merger, as determined in the Merger Proposal.

The following documents shall be at the disposal of the Shareholders of the Company for inspection and copies thereof may be obtained, free of charge, from Nomura Bank (Luxembourg) S.A., 6 Avenue Emile Reuter, L-2420 Luxembourg:

- (i) the text of the Merger Proposal;
- (ii) the prospectus of NGF;
- (iii) the audited annual accounts of the Company at 31 December 1995, 1996 and 1997, its semi-annual accounts at 30 June 1998 and its interim accounts at 30 September 1998;
- (iv) the audited annual accounts at 31 December 1995, 1996 and 1997 of NGF and its semi-annual accounts at 30 June 1998 and its interim accounts at 30 September 1998;
- (v) the reports of the Directors of the Company and of NGF;
- (vi) the special report of KPMG Audit.

The shareholders are hereby informed that the Second Extraordinary General Meeting of Shareholders shall validly vote on the points of the agenda, no matter what portion of the share capital of the Company will be present or represented at such meeting. The items of the agenda shall be passed at the majority of two thirds of the shares present or represented of the meeting and voting.

In order to take part at the second extraordinary general meeting the owners of bearer shares must deposit their shares five clear days before the meeting at the registered office of the Fund, 6 Avenue Emile Reuter, Luxembourg or with the following bank: Nomura Bank (Luxembourg) S.A., 6 Avenue Emile Reuter, L-2420 Luxembourg.

Proxies should be sent to Nomura Bank (Luxembourg) S.A., at its address above to the attention of Claire Garvey by no later than 28 January 1999.

The Board of Directors